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# **BLACK SOUTH AFRICAN PRIVATE SECTOR**

**IN-DEPTH ANALYSIS OF THE  
HISTORY, EVOLUTION, CONSTRAINTS  
AND OPPORTUNITIES**

**VOLUME II**

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*"The longer the white minority regime persists in its racist policies, the greater the likelihood that black South African mythology will become overwhelmingly anti-capitalism and anti-Western."* - **L. Thompson**

*"The national wealth of our country, the heritage of all South African, shall be restored to the people; the mineral wealth beneath the soil, the banks and the monopoly industry shall be transferred to the ownership of the people as a whole; all other industry and trade shall be controlled to assist the well-being of the people; all people shall have equal rights to trade where they choose, to manufacture and to enter all trades, crafts and professions."* - **Freedom Charter**

*"Contrary to the claims and pretensions of South African business the economy is not and never has been entirely capitalist in nature nor in the manner it mobilizes and deploys the forces of production. True enough there is a market economy in which private property relations predominate. But it is also an economy dominated by wide-ranging institutionalized barriers to the right of the black population to sell their labour freely in the highest market, or to gain access to the world of capital accumulation, or even the right to own land and property freely. These barriers emerged not by accident nor by the spontaneous evolution of the economy; they are the outcome of a consciously designed economic system. The objective of this system has been, and remains, the production of a unique rate of surplus extraction. Its essential function is to sustain the costly superstructure of white minority privilege, the high rate of return on investments, and the commanding power of capital in the South African economy. It is the cheap labour system which stands at the heart of the apartheid economy."* - **V Pillay**

*"Put in the most simple way, the blacks have had enough of apartheid. They are no longer prepared to submit to its oppression, discrimination and exploitation. They can no longer stomach being treated as aliens in their own country. They have confidence not merely in the justice of their cause, but in the inevitability of their victory...The strength of black convictions is now matched by a readiness to die for those convictions. They will, therefore, sustain their struggle, whatever the cost."* - **The Commonwealth Report: Mission to South Africa**

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# **CHAPTER 1**

## **HISTORY AND EVOLUTION OF BLACK BUSINESS**

### **1. INTRODUCTION**

### **2. PRE-COLONIAL AFRICAN ECONOMIC SYSTEMS**

### **3. BLACK ENTRY INTO CAPITALIST SYSTEM**

### **4. DEMISE OF AFRICAN PEASANT FARMING**

### **5. THE ERA OF SEGREGATION AND APARTHEID**

## I. INTRODUCTION

This analysis is confined to a review of historical economic constraints that were initiated by means of an aggressive and continuous program that has successfully stripped the black South African community of all resources for generating capital and independence through self-sufficiency. The scope and timing of this review does not make allowance for a full analysis of all key developments, trends, and circumstances that have brought about the total impoverishment and exclusion of black South Africans from full economic participation.

An assignment of such magnitude would have to analyze developments that span a broad expanse of issues that have operated continuously over a wide time frame, namely, from the precolonial era, through the formative years of a racial economy to the present apartheid economic society. The present review is about the political economics of land, capital, technology (education, skills and experiences), and labour.

No matter how brief it may be, a review of the history and evolution of the black South African private sector becomes, invariably, a study of the politics of apartheid and its origins, its objectives and consequences. In the last few years, there have been growing calls for the dismantling of apartheid - both internally and externally. Different interest groups, governments, public and private sector institutions, churches, and pressure groups have used different methods to spell out the message to the South African government. "The message is clear: apartheid must end. It will end - if necessary, through a bloody struggle whose cost in lives may be counted in millions and whose agonies will reverberate in every corner of our multiracial world. But it could end by peaceful means - by a genuine process of negotiation - once white South Africans accept that the evil system by which it has sustained its dominance must end and is ready by deeds to bring it about."<sup>1</sup>

In few countries do political considerations affect economic decisions in such a stark fashion. Indeed, for many years economic requirements have been subordinated to the overriding political imperative of racial separation, especially in the field of labour.<sup>1</sup> Labour has been at the centre of South Africa's long but turbulent history. The supply of free or cheap black labour to white settler landowners and industry has been at the centre of most of the conflicts that the country has been through. The intermittently fought "Kaffir Wars" (1835-79) were not so much land wars as about labour supply. These wars did not lead to the extermination of the Xhosa, but rather to the confiscation of their means of independent livelihood (land and cattle) as a way of securing, as cheaply as possible, their labour.<sup>2</sup>

The black community has paid the most premium price for its resistance to the campaign for total control of labour and land through which the black community had generated self-sufficiency and independence from the white settler community. However, the struggle for black labour had been waged long before the "Kaffir Wars" and it continues to this day. It has always adopted multiple strategies and tactics such as, literally, hundreds of complex laws - most of them antiquated, incomprehensible and contradictory but always restrictive. Over centuries, the campaign for the dispossession of black land and labour has deployed an array of strange bedfellows such as Trekboers, Boer Republics, British colonialists, slaves, missionaries, private sector captains, and black co-optees. The foregoing forces were aided by natural disasters - plagues, pestilence, droughts, inter-tribal conflicts - whose net results were the weakening of loosely organized social and tribal economies.

Visitors to modern day South Africa often agree that the country is full of contrasts, evil and good, modern technology and backwardness and inequality. Its economy has been described as one of the success stories of Africa yet when measured by most of the important economic indicators of development, South Africa still lags far behind the major industrialized countries. The country has modern cities but many areas outside the cities are characterized by the rural poverty of an underdeveloped country. This underlines the dual nature of the South African economy - it is divided not only between an urban industrial sector and a rural subsistence sector but also between black people and whites whose incomes and living levels are vastly different and unequal. The contrasts and disparities in social status are neither superficial nor temporary: their roots derive from the relatively long history of apartheid.

Members of the Afrikaner ruling class draw a great deal of pride in the origins of their own ethnic group - origins that are embedded in the racial supremacy. Throughout their own history, Afrikaner nationalists have always sought refuge in mythology that derives from the supremacy of their European race. This has been propped up by Afrikaner belief in the "Divine Hierarchy of Being" - which decreed that indigenous African societies comprised of "skepsels" who were creations of God - higher than animals but lower than (whites) "men".<sup>3</sup> From early settlers to present rulers, arguments in defense of the exclusion of black people from participation in mainstream political and economic life have always been based on racial supremacy. Lord Milner, then British high commissioner, ruled out the prospect of political equality of white and black on grounds that the white man must rule, because he is elevated by many, many steps above the black man.<sup>4</sup>

These sentiments have not changed much with the passage of time. More recently, the South African State President P W Botha<sup>5</sup> said:

"white people who came here lived at a very much higher standard than the indigenous peoples, and with a very rich tradition which they brought with them from Europe. I think that our history is responsible for differences in the South African way of life. We met with people who didn't have the same opportunities that we had to achieve certain standards of living. Then, insofar as the Afrikaner was concerned he had to fight for his survival. And because he had to fight for his survival he was inclined to isolate himself in such a way that he could maintain his own way of life. He had to take certain measures. That brings us to the word apartheid. The word apartheid was coined as an Afrikaner word, to express the idea of separate development."

This supremacist theme has served the Afrikaner community particularly well over three decades. As South Africans prepare themselves for a new life in what is fondly described as post-apartheid South Africa, much doubt has been cast about the relevance of apartheid strategies and structures. Even among Afrikaner circles it has now been accepted that apartheid cannot serve a growth-oriented post-apartheid South Africa. Afrikaner leaders acknowledge that their government has now committed itself publicly to the elimination of racial discrimination and the extension of equal opportunities to all South Africans on the basis of one citizenship for all South African citizens. It has, during the [1986 parliamentary] session introduced and promulgated legislation scrapping numerous statutory measures which underpinned the basic tenets of apartheid; it has systematically dismantled bureaucratic structures enforcing apartheid.<sup>6</sup>

There has been, and continues to exist, much public controversy about the effectiveness of the foregoing process of dismantling apartheid. Vella Pillay,<sup>7</sup> an internationally renowned economist dismisses these processes as having no hope to deliver South Africa out of the existing apartheid economy. Pillay's sentiments echo the sentiments of the majority of South Africans who talk of total dismantling rather than reforming a system they refer to as "racial capitalism". A M Rosholt<sup>8</sup> asserts that white South Africans are often annoyed by their black counterparts' attitudes and rejection of the existing brand of South African capitalism. They do not understand why black people fail to separate apartheid policies from capitalism. He adds that white employees accept, without necessarily understanding the philosophies or workings of the system. They have after all, because of the scarcity of trained and skilled workers, been protected by it. And they have no reason to fear for the foreseeable future, because as the economy expands, the scarcity will increase assuring the continuity of their economic security. In other words they broadly accept the system be-

cause it has done a great deal for them. An exception to this broad statement can be found in a number of civil servants who are unaware of or are even hostile to the system and favour state interventionist policies.

According to Rosholt there can be very few black employees who do not have a completely different perception. This is basically due to the considerable disparities in social and cultural norms in our country and to its discriminatory political and economic system. The lives of black employees are so circumscribed by regulations as to make it virtually impossible for them either to understand the free enterprise system or to put themselves in a position where they can enjoy even its minimum benefits. Not unnaturally they see the system and capitalism as an adjunct to the political system, as a heartless and exploitative system which has helped to enrich a few people at the expense of the majority, and has led to poor working conditions and low wages.<sup>9</sup>

Consequently, the future and growth of the South African economy has become a political issue. Many South Africans see economic growth as the hope of the future and the source of liberalizing social and political developments.<sup>10</sup> Yet others see economic growth as continuing to benefit whites almost exclusively while having little or no impact on structural changes that would significantly benefit the other population groups. They dismiss the former argument as being rather naive or deceptively simple. They argue that the South African industrialists and businessmen who met the ANC in Lusaka in 1985, held the view that apartheid laws and structures have emerged as major constraints on the evolution of a liberal "capitalism". The businessmen argued that economic growth and the creation of wealth were now critically necessary for improving the condition of black people and that this improvement is only possible through the proclaimed "rationalizing" process of the market economy. They see that process as both a necessary and sufficient condition for making the institutions and structures of apartheid increasingly irrelevant. In a word, they said that capitalist industrialization will be a sure factor in dissolving the significance of race in South Africa's economic and political life.<sup>11</sup>

The skepticism and cynicism reflected in the foregoing line of thinking has become wide spread among the majority of black South Africans. They are increasingly becoming disillusioned by the South African government's perceived lack of capacity and preparedness to generate political initiatives that will transform the apartheid-economic base into a truly free market society. Pillay sees both government and big business being engaged in an exercise whose immediate objective is "damage-limitation". Further, big business supports government "reform" programs in order to have stability restored and to ensure constant in-flow of foreign capital. The prospect of such capital in-flow

does not seem likely in the future, without change acceptable to the international community. That there is no hope for the apartheid economy, is now no longer in question. But its break-up and collapse could well take time and will surely be accompanied by even greater violence and killing. The capacity of the South African system to undergo fundamental, or even meaningful changes remains severely limited. What remains of "reform" are a series of cosmetic and irrelevant shifts here and there.<sup>12</sup>

Politicians, economists, sociologists, churches and school children offer a myriad of solutions that they hope could rid South Africa of its outmoded political malaise. In the past, these interest groups were satisfied to allow those in power to tackle the problem through the much publicized "evolutionary reform process." Internal, regional and international communities have become so frustrated with the slow pace of government reform processes that they now call for the total dismantling of the system of apartheid. Even the fountain-head of Afrikanerdom - the church and academe - has recently called for swift and meaningful removal of all apartheid structures, namely, apartheid laws, administrative processes and a range of social conventions which also entrench the concentration of black labour in the most menial and unskilled jobs. Educationalists and sociologists have pitched in with calls for curing fundamental ills such as inferior and segregated education for black people; low worker productivity and restrictions on the flow of black labour.<sup>13</sup> A wide ranging set of alternatives are now emerging from a new breed of economic analysts and authors who have made recent in-depth analysis of the factors that account for the paralysis that has immobilized the South African government in its own political reform program.

Lipton<sup>14</sup> states that history, however, suggests that the evolution of new relationships, attitudes and institutions will require a long and difficult transitional period, which most observers will judge was not available to South Africa. The possibilities that this evolution will be effected are therefore slender. While the logic and momentum points towards the long process which will erode apartheid, there is opposition and disagreement within the ruling Afrikaner National Party, accounting for the contradictions of policy problems of implementation. There are also uncertainties and fears about the risks and consequences of reform and about the likely black reaction. Hence the tentative, experimental nature, particularly of political reforms, which (P W) Botha himself acknowledged when pointing to the likely transitional nature of the 1983 Constitution. These uncertainties and fears account for the characteristic "two-track" policy of the Nationalists: striking out on a new route, but keeping in reserve remnants of the old, so that if it does not work, they will have a line of retreat. The problem is not just racism and the fear of possible black vengeance. It is a deeper, more general

fear aroused by the disorder and insecurity prevalent throughout most of Africa. Racists allege this order is peculiar to Africans; most liberals and radicals deny that it has any political relevance to events in South Africa.

An even more thorough but highly impactful analysis of options that face the South African ruling party is provided by Clem Sunter.<sup>15</sup> The analysis is part of an international research funded by the Anglo American Corporation. Sunter's analysis concludes that South Africa is faced with two options aptly referred to as "High Road" and "Low Road". The "High Road" option envisages sanctions being kept at a minimum level i.e. not going beyond the present package; the installation of a small but not weak government - whose size and composition remain an issue; the decentralization of power; and the beginning of joint negotiations - as exemplified recently through the limited exploratory "Indaba" negotiations that involved major white and Kwa-Zulu homeland political parties and organizations within the context of the Natal region.

The "Low Road" option envisages the prospect of increased international sanctions; the advent of a more controlled economy - with import controls, foreign exchange controls, etc; government becoming more centralized and bigger; and the collapse of the system of co-opting black people into the centralized government. The entire process culminates in confrontation and conflict. The country turns into a military fortress which breeds regional conflict. The "Low Road" conditions will deprive South Africa of the opportunity to become a "winning nation".

Sunter<sup>16</sup> states that statutory apartheid will have to go because it is being overtaken by the demands of an increasingly integrated and complex economy. People realize it is an ever-stumbling block to making South Africa a "winning nation." For instance, when education is a prime characteristic of a "winning nation", the question is more often being posed whether it makes sense to have partially empty white schools, teacher training colleges and technikons. Sunter illustrates the wastefulness of the pursuit of apartheid political and economic strategies by citing a statement made to him by an Afrikaner professor, who said:

"Hendrik Verwoerd had impeccable logic which went something like this: 'If you start down the road on educational and economic advancement for black people, you had better be ready to follow through either social and political advancement. Once you are in the tunnel, you have to come out the other end.' He of course used this to justify digging separate tunnels but, because of the modern economy, all of us are in fact halfway down one large tunnel. That is why the present situation is untenable: excavating a complicated network of separate tunnels is now too late and costly, and change has to come in a different form."

Unlike most analysts, authors and critics of the South African government, Sunter goes so far as to map out the steps and conduct of the negotiation processes that have to be initiated - sooner than later. He notes that the most critical part of the vision is to put all South Africans first - a first step that entails looking beyond the categories of colour and groups and realizing that individuals are far more complex phenomena with a myriad of associations other than those two. The second part of the vision is to negotiate the future with all who will participate in it.<sup>17</sup>

Sunter's proposed SALT-type negotiation runs the risk of being dismissed as too slow, too cautious and cumbersome. However, most pragmatic analysts always caution against excessive expectations whenever negotiations of this magnitude have to be embarked upon. Lipton shares the view that the process will be long drawn. However, this does not mean that those thirsting for change will exercise the cold logic and cool patience of seasoned analysts. Members of the public attending many of Sunter's crowd-pulling presentations of "High and Low Roads" scenarios often question whether or not the SALT-type negotiation process will be fast enough to cope with the rapid pace of social and political developments whose speed has been likened to that of a prairie fire.

## 2. PRECOLONIAL AFRICAN ECONOMIC SYSTEMS (1870-1910)

The vast majority of black South Africans are hopelessly uninformed about the origins and evolution of their own society: its political, social and economic systems. Their images of African culture, values and norms derive from second to fifth-hand information sources. These sources are bereft with contradictions, exaggerations, omissions, bias and racial innuendo. The new breed of South African history analysts maintain that black people are not the only victims of this long and well orchestrated state-aided disinformation campaign. Generations of South Africans, white and black, have been conditioned to perceive Africans as peripheral actors outside the main theatre of South African history, appearing rarely on the central stage - and even then only as hindrances obstructing the progress of European civilization. In the past fifteen years, extensive new research into the history of African societies in South Africa has been published. Much of this writing, however, has reached a relatively small readership of academics and senior students.<sup>18</sup>

One of the popular myths about South Africa revolves about the point of contact between the indigenous societies and the first white settler communities of the Cape Colony. Adherents of Afrikaner mythology continue to disseminate this erroneous idea. Writing in one prominent business publication, in 1986, J C Stassen states that the "geographical area which now forms South Africa was not one black-occupied country when white settlers moved in from the South: a migration of black people from the North was taking place more or less simultaneously."<sup>19</sup> Afrikaner historians continue to write textbooks that are deliberately designed to perpetuate the lie.

However, the new generation of liberal historiographers are re-writing South African history with a view to presenting historical facts without the intrusion of what Colin Bundy<sup>20</sup> has referred to as a "resoundingly bad press". Authors such as Paul Maylam, Trapido, Browett and Parsons - to name but a few - have cited irrefutable scientific data which prove that the facts of white settler arrival in southern Africa differ immensely from the "myth of the empty land". P Maylam<sup>21</sup> observes that archaeological data unearthed during the past fifteen years, once and for all, lays to rest the myth. Maylam cites Marks' work to illustrate that the myth:

"may no longer be proclaimed in quite such unambiguous simplicity. Nevertheless, more sophisticated variants of those myths still permeate the history textbooks used in South African schools and the propaganda put forward sedulously by the South African Department of Information. They have even crept

crept into textbooks used in British schools and on the British television."

New and scientifically proven facts now show that people have lived in southern Africa since early in the evolution of the human species. Until about 2 000 years ago, the region was isolated and its only inhabitants lived by hunting game and collecting wild plants and insects. But abundant archaeological evidence shows that early in the third century, A.D. African farmers, who owned sheep and cattle, cultivated millet and sorghum, and fashioned iron tools, began to migrate across the Limpopo River into the eastern part of the region. The migration process continued over a long period, with peaks in the fourth and eleventh centuries. By 1652 the Bantu languages and the farming ways of life prevailed wherever the environment was suitable in the eastern half of southern Africa. Some of the aboriginal hunters had been killed by the farmers, others had been driven away from the better land, and many others had blended into the farming communities.<sup>22</sup>

One of the earlier South African historiographers, C W de Kiewiet attempted to explode another myth that sought to project precolonial African society as being static. De Kiewiet stated that the true history of South African colonization describes the growth, not of a settlement of Europeans, but of a totally new and unique society of different races and colours and cultural attainments, fashioned by conflicts of racial heredity and the oppositions of unequal social groups. The entrance of natives into European society as the universal hewers of wood and drawers of water was not essentially a violent process. It was because their economic habits were similar that whites and black people had fought. But when they had fought and the natives had suffered defeat, the same similarity led to cooperation. The close economic bonds which tied natives and Europeans ever more closely were the outcome of a great measure of compatibility between them. This compatibility, far more than their conflict, was the secret of their economic relationship. It is important to understand that the modification of native life was only partly the result of deliberate exploitation on the part of the European population.<sup>23</sup>

Basing his analysis on more recently available archaeological data, Maylam observes that the "static African society" myth assumes, in its crudest form, that Africans lived in isolated, self-sufficient communities, whose existence was essentially stagnant and unremarkable but for tribal wanderings and inter-ethnic conflicts. The archaeological evidence alone can break this stereotype at several levels. Although it is true that Iron Age economies were essentially self-sufficient in character, they were not entirely so. It seems clear that some communities specialized in the production of commodities that were elsewhere scarce and thus in demand as trade goods. Many

Sotho-Tswana communities, for instance, must have acquired their iron hardware from external sources. We know that the Letaba district of the northern-eastern Transvaal was a centre of production; the presence of imported trade items at the site suggests that the salt was exported. Copper was traded by producers at Messina and Phalaborwa. And there was, undoubtedly, extensive trade at a local and regional level, involving the exchange of more basic products like grain and cattle.<sup>24</sup>

Maylam puts to rest the myth about ethnic isolationism, which has been used rather successfully by successive Afrikaner governments to deny the indigenous population of its rightful share of its historical developments and achievements. The main ideological pillar of the South African government's divide-and-rule Bantustan policy is the notion that the country's African societies display wide ethnic difference. This notion also rests on an interpretation of history, because it has to be shown that these differences have deep roots in the past. But Iron Age sites have yielded material which substantiates the view, already supported by linguistic and documentary evidence, that African farmers and Khoisan hunter-gatherers interacted in a number of peaceful ways. This is not to ignore the realities of the many cultural differences that existed both between Iron Age and Stone Age societies, and between various Iron Age communities. Nor is it to suggest that the African Iron Age was the golden age of peace and tranquility. But it does confirm, the need to escape from simplistic notions of ethnicity and to subject the whole concept of ethnicity to careful historical examination.<sup>25</sup>

Archaeological research tells us that the South African Iron Age was dynamic. The past was not static, but ever changing. One gains the impression of peoples in a dynamic interaction with their environment. Minerals were exploited with a simple technology but with a level of expertise that would astound those who associate South African mining solely with developments that have occurred over the past 120 years. Iron Age people were essentially farmers. Here again the findings of archaeologists lead us to believe that efforts were made to maximize environmental potential. The cultivators of the Early Iron Age, were concentrated in those areas where rainfall and soil were most conducive to agriculture. When cattle seem to take on a new importance in the late Iron Age the grasslands of the highveld become extensively occupied. Iron Age societies were perhaps unable to manipulate and control their environment, but they were able to interact with it in a dynamic and productive way.<sup>26</sup>

Bundy's analysis of precolonial African societies highlights the matrix of social and economic relationships that evolved about land and the manner in which it was used. Land was the principal resource. The

members of the society depended upon land not only for subsistence, but also for recognition as members of the social group; the allocation of land to an individual was a badge of his membership of clan or tribe. Land was the communal "of the political community, although property "rights" vis-a-vis other communities were defined as long as land was a relatively plentiful resource. Land occupied by tribe "belonged to" rather than being "owned" by the tribe; it was treated as theirs by usage. Within the community, property rights were formally vested in the chief; he acted as the allocator of land to his followers. Once a piece of land had been allocated to a member of the community it was defined in terms of the claims of that particular family's rights to cultivation. Individual rights to property were not recognized; individual usage was; it was a system of communal ownership, central allocative powers and individual cultivation. Once allocated, arable land was alienable only by dispossession; if a man lost his land he lost his membership in the community.<sup>27</sup>

The African's approach and attitude towards land usage was diametrically opposed to that of the white settlers. Herein lies the central source of conflict between the indigenous black people and the white settlers. The latter laid emphasis upon individual ownership rather than use. De Kiewiet<sup>28</sup> explains that in the white settler's mind ownership was more important than use; in the African mind use was more important than ownership. Even more foreign was the notion that land where all men's beasts had grazed without let should be reserved for the herds of a single individual.

De Kiewiet elaborates on the "too easy" way in which the Voortrekker community went about accumulating land from settled African communities in a manner that exacerbated confrontation and conflict. The satisfactions of Voortrekker life were the simple satisfactions that came from the great wideness of land. As long as there was new grass and fresh land to be found beyond the horizon, Boer society was free to live its life unchanged. Land and flocks were the measurement of their wealth. They were the portion given to sons, and the dowry given to daughters. As long as there was new land, sons could have farms and herds as big as those of their fathers while they were still young men. In parts, land could be acquired for nothing or bought for nothing. The land was the patrimony of the people<sup>29</sup>

The attitudes of the early white settler community towards land possession must be viewed against the context of the expansionist Dutch society of the 16th and 17th centuries. Dutch colonialism was notable for three things: firstly the rapid dispossession of the indigenous colonized population; secondly, the largely corrupt and inefficient rule of the Dutch East India Company officials; and thirdly, the establishment of a stratified settler population.<sup>30</sup>

Thus, the interests of the Dutch settlers and those of indigenous societies were diametrically opposed. Consequently, the entry of the Dutch settlers into the African society in the latter half of the eighteenth century, but more especially during the first half of the nineteenth century, saw the beginning of a process that was to disrupt precolonial African societies. The Frontier Wars were the intensified and violent expressions of a much lengthier process of competition for land, resources and labour power. One aspect of that disruption, and of the competition, was the creation through economic and political forces of a new character in the dramatis personae of the Cape: the African peasant.<sup>31</sup>

African pastoralist-cultivators of the Cape practiced a form of shifting cultivation or "bush fallow" technique, in which land was cleared, cultivated until fertility decreased, and then allowed to regenerate fertility through disuse. Bundy<sup>32</sup> cites a "modern study" of the system of "bush fallow" cultivation which concluded that this was the best that could have been devised and was, in general, well adapted to produce the means of subsistence with the minimum of labour. The subsistence shifting method of land cultivation brought upon its users a great deal of scorn and a resoundingly bad press. Much later the "bad press" was effectively used to justify why black peasants should not be allowed to continue doing violence to the ecology and harm to the economy. The comparative unscientific methods of the peasant were described by critics of early African society as "slovenly", "haphazard and wasteful", "primitive and barbarous", and "the worst in the world."<sup>33</sup>

According to Bundy, the foregoing criticisms are ahistorical in that they fail to appreciate the limits imposed by the prevailing mode of production and the social relations and technological levels that characterized it. The relevant question in viewing an agricultural economy is the measure of its proficiency within a particular mode of production, and whether resources were efficiently deployed within the constraints of the physical and social environment. Precolonial farming methods were based on what Bundy describes as a "model of what agriculture should be: productive, efficient, rational, enterprising and modern."<sup>34</sup>

### **3. BLACK ENTRY INTO THE CAPITALIST ECONOMY (1840-1870)**

Early South African history books are fairly silent on the manner in which black people made their entry into the colonial society during the early days of black-white contact and familiarization. With few exceptions, most early historians concentrated almost exclusively on the progress of Jan van Riebeck, the Dutch East India Company, and the skirmishes that ensued between the British and Dutch settlers.

The Cape colony was primarily intended to replenish the passing ships of the Dutch East India Company, thereby reducing the costs of its trade with the East Indies; Dutch colonial authorities constantly sought to reduce their administrative costs at the Cape. One of the most important measures in this regard, was the early abandonment of the initial policy of using Company employees to produce supplies, in favour of encouraging the permanent settlement of white agriculturists on land seized from the Khoisan inhabitants of the Western Cape. These white "vryboers" (free farmers) received no salary and produced on their own account, making extensive use of Khoisan slave labour.<sup>35</sup>

Roughly speaking, in the areas around the Western Cape and present Boland districts, there developed a group of relatively large-scale land-owners producing wheat, wine and other crops for the Dutch East India Company's monopoly. They farmed almost exclusively with slave labour. On the other hand, relatively large numbers of settlers trekked beyond the jurisdiction of the Company and established themselves as largely subsistence stock farmers in outlying areas on land expropriated from the Khoi pastoralists. For 50 years a series of inconclusive wars for control of the grazing lands of the Zuurland region were fought between Boer colonists and the Xhosa, with neither side able to impose itself finally on the other. Thus the slow expansion of Dutch colonialism rested on the twin props of the expropriation of land of the indigenous inhabitants, and their enslavement as farm and other types of labourers for their white colonial masters.<sup>36</sup>

Black entry into the agricultural cash market was preceded by a wave of catastrophic conflicts and natural disasters. Black people who came into early social and economic interaction with white settlers lost more than they gained. Black tribes known as Khoi and San were exterminated in frontier skirmishes and decimated by diseases contracted from the white settlers. With the loss of their land and cattle, those who somehow managed to survive either retreated northwards into the Karoo desert or were incorporated, as servants, into the Boer economy. It was after the ultimate establishment of British political control over the Cape in 1806, however, that territorial aggrandizement and the partitioning of the expropriated land through defined and

defended boundary lines, proceeded apace. The next sixty years witnessed a considerable expansion of the land controlled and organized, if only nominally in some cases, by white people - land taken largely from the Bantu-speaking Nguni and Sotho people.<sup>37</sup>

Large numbers of black people displayed substantially more positive response to economic changes as well as taking advantage of available market opportunities. An adapted form of the prevailing subsistence methods provided hundreds of thousands of Africans with a preferable alternative to wage labor on white colonists' terms in the form of limited participation in the produce market; that a smaller group of black farmers made considerable adaptations, departing entirely from the traditional agricultural economy and competing most effectively with white farmers.<sup>38</sup>

Historiographers such as De Kiewiet, Bundy, Browett, and Greenberg have produced evidence to substantiate the successful conversion of precolonial black subsistence economy into the modern cash economy. Most of the evidence has been gathered from official records, reports by government officials, missionaries, and so forth. The Mfengu success story is, perhaps, the most well known. The Mfengu ("Fingos") were an Nguni tribe or clan that had been co-opted by Governor Sir Benjamin D'Urban to serve as a human buffer between the new frontier system and the Xhosa, whom he described as savages who only understood force and punishment. When D'Urban agreed to the settlement of 16 000 Mfengu (who brought with them 22 000 head of cattle) near Grahamstown, he was candid about his intentions. He was emphatic that the Mfengu community would supply military support against Hintsa, the Xhosa paramount chief; the colony would gain the labour of sober, industrious people, well skilled in the tasks of herding and agriculture. The land in the Peddie district to which they were moved was "worse than useless" but he confidently expected, it would be turned into a "flourishing garden" by the newcomers; finally, this was the heart of the strategy, the Mfengu would form a human buffer between the colonists and the Xhosa foe.<sup>39</sup>

The expansionist process of the Voortrekker community and the colonial attitudes of the British colonists did a lot to convert precolonial African societies into a secondary citizenry. The loss of access to land forced them to adapt to new realities. For instance, subsistence Xhosa pastoralists were too vulnerable to new pressures that were brought about by the emergent society. The wholesale Xhosa community's response to the prophecy of Nonqause is a case in point: Nonqause prophesied that the only way to drive white settlers off expropriated Xhosa land was to appease the gods by offering large numbers of slaughtered livestock. It is estimated that 30 000 Xhosa lives were lost through famine and other disasters that followed the faulty prophecy.

The Mfengu community had maintained their independence from the demands and behaviours of their Xhosa neighbours. As the Xhosa community went about slaughtering their cattle - as decreed by the prophetess - the Mfengu abstained. This illustrates the extent to which the Mfengu had shifted the balance of their economic activities from pastoralism in favour of agriculture. Also they had broken with their African neighbours in favour of collaborating with the colonial administration. The reputation of the Mfengu community was soon to spread over the entire Eastern Frontier - where they were selling their produce to the government commissariat and to traders "to supply the wants of the starving multitudes".<sup>40</sup>

The colonization of indigenous communities by both British and Boer colonists was but one of the major processes that served to disrupt precolonial African societies. The second crucial process underway at the end of the eighteenth century was the consolidation of small African chiefdoms into powerful kingdoms. The consolidation process was not peaceful: it involved massive inter-regional warfare - known as the "mfecane" or "defaqane" - between various African communities. The "mfecane" completely reorganized the political map of southern Africa. By the mid-1830's, five powerful African kingdoms straddled much of the central and eastern areas of present day South Africa (the Zulu, Ndebele, Swazi, Basotho and Bapedi kingdoms). The expansion of Boer and British colonialism into the hinterland of South Africa after 1830 brought them into conflict with the precapitalist indigenous societies. While rifles and artillery generally proved superior to the assegai, the majority of these societies remained politically and economically independent throughout the period, and retained large and powerful armies. Yet they were increasingly incorporated in widespread trading networks with colonial capitalists and thus became increasingly dependent on British commodities.<sup>41</sup>

There can be little doubt that the "mfecane" or "defaqane" represented a cataclysmic and devastating upheaval in the lives of many African communities in southern Africa. These inter-ethnic and inter-regional conflicts had longer-term consequences. The combined effect of white migration into the interior and the emergence of African states created a new set of frontier zones which were to become significant arenas of black-white cooperation and conflict. In the final analysis, the 1913 Native Land Act and the "mfecane" were close companions, the latter describing as self-inflicted what the former took by force.<sup>42</sup>

Around 1830 almost all the African people of southern Africa lay outside the orbit of formal colonial domination. By the end of the nineteenth century Nguni, Sotho and Venda communities south and west of the Limpopo River had all been subjugated in one way or another. Formal African political independence was effectively at the

end. This era, covering approximately the last seven decades of the nineteenth century, can be viewed as transitional in a number of ways. Not only did it encompass the colonial subjugation of formerly independent African societies. It also saw a number of changes occurring within these societies. There emerged a class of independent African producers who operated outside the domain of the "traditional" communal economy, producing for a growing market as well as for subsistence. This economic individualism was particularly fostered by Christian missionaries, and many African peasant communities were to be found in and around mission stations.<sup>43</sup>

Missionaries were behind most of the successes and achievements of communities such as those of the Mfengu and several others who conquered frontier farming. Missionaries played multiple roles within the black and the white communities. There were others [black communities] who perceived in the missionaries political allies, go-betweens, diplomatic agents and the like. Cooperation with a missionary might assist in coming to terms with external powers such as the British government, Boer republics, or rival kingdoms. Entire communities or clans that were clients, refugees, or in other ways subordinates in the existing political structure, would attach themselves to missionaries (the Mfengu, Thembu, and Barolong all did this).<sup>44</sup>

According to Bundy, the missionaries operated as "torch-bearers of capitalist social norms and the market economy, as advocates of increased trade and commercial activity and [contributed] to class formation in African society. Missionary enterprise, ultimately, was concerned with the transformation of social institutions and practices that were alien or incompatible with capitalist society into ones that were compatible, and hence to encourage a total change in the world view of the people in whose midst the missionaries lived, there was very close connection between missionary advocacy of "civilization" and "modernization" and trade.<sup>45</sup>

The role of missionaries outside their religious sphere of influence has always provoked more negative criticism than praise. De Kiewiet asserts that the impact of European city-bred liberalism upon the Cape rural conservatism was severe. It was made the more severe because it entered South Africa through religion. The chief exponents of the liberal ideas which opposed privileges based on tradition or creed or race were missionaries. They were quick to demand that the powers of government be peremptorily used to shape society as they wished to see it. The success of liberal missionary enterprise was therefore seriously prejudiced by the lasting resentment which was provoked in the minds of the population, for the Boers took with them wherever they went a memory of wrongs roughly done. The triumphs of liberalism were not, therefore, without their real failures.<sup>46</sup>

The missionaries were also resented by traditional African chiefs for their contribution toward the dismantling and demise of traditional political clout and systems. It was the creation of the mission stations or villages themselves that seems to have been a major factor in transmuting the cautious acceptance by the chiefs into overtly hostile resistance. The station settlements dramatized the political, religious and economic threat to the old order, they made conspicuous the political disloyalty of converts, they served as a base for the missionary assault on rites and social practices, and they meant the physical absence of clan members, the withdrawal of their economic output as well as of their obligations.<sup>47</sup> Bundy quotes comments by black chiefs who said: "When my people become Christians, they cease to be my people" and "I like very much to live with [the missionaries] if they would not take my people and give to the government."<sup>48</sup>

Not all black people who interfaced with missionaries were satisfied with the fact that the latter's work overturned tribal social systems. Within tribal life there ran a corrosion that forced the natives to depart from the ways of their parents and embrace alien ways which their parents had not known. No gentle process of education nor the slow suasion of a friendly contact led them to accept the inevitable changes in their lives. The promise of early missionary effort and of British humanitarianism was poorly kept. The authority of the chief, because he was so narrowly identified with the law and the custom of the tribe, broke down even before the tribe lost its apparent unity.<sup>49</sup>

In the end missionaries lost confidence in their own ability to succeed in areas still ruled or heavily influenced by traditionalist elements, and came increasingly to support the "civilizing" content of imperial conquest and rule. Missionary thought also moved away from its original conception of the social objectives of conversions and missionary stations; the desire of the mid-nineteenth century for an African middle class was diluted or set aside, and in its stead there rose an interest in industrial education and a concern for establishing "habits of industry". A leading missionary publication recorded, in 1902, that "not only the mines, but manufacturers, farmers and housewives were short of black labour and that for his own sake, the native must be weaned from his capricious and spasmodic habit of work."<sup>50</sup>

Overall, the success of the Nguni communities that operated within mission stations and farms was well documented - especially by the missionaries themselves. These sources produced statistics to substantiate the supposed progress made by several communities under their tutelage. The records of the missionaries show that in 1817, bi-annual trade fairs were set up at Grahamstown, and for their duration permission was extended to Xhosas to enter the colony to participate. By 1824, the fair was being held twice weekly. Mrs John Ross, a

missionary's wife, reported in the mid-1820s that the fairs had seen the price of African produce rise, and they could "scarcely get an ox to slaughter." Mrs Ross also wrote in 1834, that hundreds of traders had been active in Xhosa territory. Other sources also recorded that fifteen hundred wagons of produce were taken to the Grahamstown market each year. The district of Albany exported over R50 000 of goods a year obtained from Xhosa producers. Almost every traveler's account of the 1820s and 1830s makes mention at some point of encounters with Africans who sought to exchange baskets of grain or fruit, or gourds of milk, for goods or (by the mid-thirties) occasionally for currency.<sup>51</sup>

About this time, the Eastern Frontier administration(s) had introduced regulatory measures that sought to control the influx of Africans over the boundary between the "white" colony and "black" Kaffraria. This influx was due not only to the desirability of manufactured goods, but also because of white settler pressure on Nguni societies (in the Transkei and Ciskei) from East and North. This period also witnessed rapid escalation of pressure and conflict that spread about black labour supply and land usage. On these lands, too, members of Nguni societies were embroiled in new economic and social relations: the payment of rent-tribute was exacted by white landowners, in kind or in labour. There began to emerge a class of Africans who found access to land (the primary means of production) denied to them, and they - like the Khoi before them - were forced to enter the labour sector of the colonial economy. Others entered service for colonists on a more voluntary basis, for limited periods, sometimes traveling considerable distances.<sup>52</sup>

To reiterate, the missionaries played a crucial role in helping to persuade Africans to enter into wage labour - after they had been subjugated during the Sixth Kaffir war of 1834. Troops and commandos "struck shrewdly at the economic resources of the Kaffirs." Their fields were burned, their corn destroyed, and their cattle driven off. Most Kaffir wars throughout the century were very much like a Smithfield cattle driving. Nothing was more calculated to bring them to their senses and, when the war was over, to leave them impoverished. The subjugated communities were forced to seek alternative means for survival. Subsequent "Kaffir wars" that were fought between 1835 and 1879 were not so much land wars as about labour supply. They did not lead to the extermination of the Xhosa, but to the confiscation of their means of independent livelihood (land and cattle) as a way of securing, as cheaply as possible, their labour.<sup>53</sup>

But black subsistence production proved to be remarkably resilient against these conflicts concerning labour supply. The Boer community disregarded all forms of black labour restrictions which were then in

force. It was partly this problem that led to a substantial migration of the Boer community northwards to those areas that were beyond the sphere of British colonial influence. As the Voortrekkers pushed northward, large settled black communities were displaced from their land only to return as dependent labourers. Most black communities negotiated arrangements whereby they acquired temporary or semi-permanent use of the land. Many are reported to have progressed into successful capitalist farmers. Various types of land utilization arrangements were devised.

De Kiewiet observes that "in the early days when land was plentiful the farmers could reward the services of their labourers by giving them the use of land on which to grow crops or graze their cattle. To the European farmer [the system] provided labour for little cash expenditure; to the native it provided life upon the land for himself and room for his cattle. In these conditions the native resident upon European land did not become a class of labourers for a cash wage. The great majority occupied an intermediate position between the status of labourer and tenant. Between the labour tenant and the medieval serf the resemblances are sometimes striking."<sup>54</sup>

The privileges and obligations of labour tenancy were many and varied. The land tenant was either required to supply the service of his household for periods that ranged from 90 to 120 days per year; or he would provide a fixed share of his crop; pay cash rental for usage of land and so forth. In spite of these requirements the majority of black people succeeded in turning what used to be communal land into prosperous and capitalist farm lands.

The period covering the last seven decades of the nineteenth century also witnessed extensive African resistance to colonial conquest. Colonial rule was a feature of this period. The African resistance was generally inspired by a desire to retain or regain independence from colonial domination. And the leadership and organization of this resistance was firmly rooted in the traditional authority structure of the chiefdom or state. By the end of the nineteenth century however, African opposition to colonialism was beginning to take on new forms and different kinds of leadership. Once again Christian activity proved to be a catalyst in this respect. Ethiopianism - the African-independent church movement - was not only directed against white domination of the church in southern Africa, but also took shape as an expression of protest against colonialism. Moreover, mission education was steadily producing an emergent African middle-class elite. It was the members of this elite who were to constitute the leadership of early African opposition movements.<sup>55</sup>

#### 4. THE DEMISE OF AFRICAN PEASANT FARMING

In the mid-1860s and the mid-1880s, the world's largest deposits of first diamonds, and then gold, were discovered at Kimberley and Johannesburg respectively. The interests of the British metropolitan state in South Africa were transformed virtually overnight. South Africa was no longer an expensive unproductive burden on the British treasury, sustained to protect Britain's vital interests in India. Rather, South Africa was transformed from a colonial backwater into a central prop of British imperialism - itself now scrambling for colonies all over Africa.

The mineral discoveries shattered the existing social systems, hurling men and women into new types of social relations, forging new cultures and modes of living; it also transformed the political map of the region. The British had completed their subjugation of African societies. And by the end of the 1899-1902 Anglo-Boer war, the British had smashed the independence of the Boer republics - which they had recognized in 1850.<sup>56</sup> [Modern historians argue that the so-called Anglo-Boer War(s) were not exclusively between the English and the Boers. Black South Africans were involved in the war(s). Therefore, the new or suggested terminology is "South African War(s)"]

Most historiographers note that the discovery of mineral deposits, especially in the Transvaal, had both positive and negative impact on black peasant farming. In the short-term, black peasant farmers benefited from immense demand for farm products. The growing urban communities had to be fed; and the rising demand lifted the prices of meat, draught animals, grain, fruit and vegetables. White farming lacked the capacity to meet this demand; and there is substantial evidence that African peasant farmers over a wide area responded positively to these market opportunities.<sup>57</sup>

S Trapido<sup>58</sup> notes that the owners of land in the districts straddling the central reaches of the Vaal River quickly sought to realize the area's commercial potential. This farmland was both under-capitalized and short of labour. The landowners of these districts were, therefore, anxious to attract a flow of newcomers to add to such labourers and tenants as they already had. As a result, agriculturists drawn from recent black settlements in Lesotho and from white farms of the eastern Orange Free State were encouraged to settle as sharecroppers or labour tenants. Most of these new settlers had suffered successive upheavals on the high plateau of the South African interior both as a result of the "difaqane" and of the white colonization which took advantage of the cataclysm. The terms of settlement offered to these black agriculturists in the 1890s and in the years immediately after the

South African War presented them with the possibility of recouping the losses of the previous half century.

Having been reduced either to servile status or forced to become refugees, the newly settled families then found that their economic revival was marred by pestilence and war. This was followed by a substantial but shortlived postwar restoration, shortlived because the landlords increased their wealth so tenants began to be seen as a brake on their further enrichment. Thus while a class of accumulating white farmers were set on increasing their labour supply as well as their control of the labouring classes, the semi-autonomous status of tenancy caused much resentment. What emerges, therefore, is that the peasants of the region, having rebuilt their lives for the third or fourth time in just over half a century, found that they were no longer of any use to landlords whose own accumulation permitted them a new form of productivity based on a more exploitative set of relationships.<sup>59</sup>

Increased food demand by the rapidly growing mining community boosted black peasant farming output to its highest but short-lived peak. The majority of black people in traditional communities and farming areas continued to wage a losing battle against British and Boer administrators who sought to remove them from their communal land. The period between 1869 and 1909 ushered in the saddest phase of black dispossession. The period witnessed the continuous introduction of measures that were calculated to overturn settled black communities and prosperous peasant farmers into pools of readily accessible cheap labour. In 1872 the Cape Assembly did its best to accelerate labour supplies to meet the new demands: revised tax laws, pass laws, location laws and vagrancy laws reflected the industry of the legislators and interests of their constituents.

A series of Location Acts were passed with the aim of reducing the numbers of "idle squatters" (i.e. rent-paying tenants economically active on their own behalf) on white lands. The measures included Act 33 of 1892, which required white landowners to register all black people residing on their properties. Heavy fines were imposed on landowners who disobeyed these measures. Three other laws were further added between 1894 and 1902 - the Glen Grey Act - which stipulated what became known as the one-man-plot system. Black land ownership was drastically reduced: each man was allocated ten acres in areas that were set aside for black occupation and farming - these were the "reserves." Two subsequent Acts (Acts 30 and 32) dealt with the specific numbers of black people that each white landowner or farmer was entitled to have on his land. The landowner was required to pay license fees for each black family. The status of black people on white farm lands was re-defined: they had to be bona fide labourers or else they were arrested for illegal squatting or loitering.

Following is a summary of some of the major laws and regulations:<sup>60</sup>

#### EARLY DISCRIMINATORY REGULATORY MEASURES

Year	Measure	Effect
1869-1884	Location Acts	Reduced number of black people allowed to pass by Cape Assembly live on and rent farming land from white land owners. Acts also forced black people to become wage labourers.
1892	Act 33	Reduced number of non-wage earning black people living on white farmlands. Many black people were driven off land expropriated for white ownership. Massive loss of live stock and human life. Landowners evaded Act widely.
1894		Glen Grey Act Introduced "one-man-one-plot" land tenure to black people - ten acres per household. The Act boosted black labour supply to white landowners as well as attempting to make reserves self-supporting.
1899	Act 30	Permitted whites to employ any number of black people but charged landowners high fees before leasing land to black people. Fees were passed on to black tenant farmers in form of high rental. Whites continued using black people without paying licensing fees.
1909	Act 32	Raised licensing fees for black tenant farmers on white farms.

Eventually all these laws achieved their ends. Share-croppers, (black people who farmed white land but were required to share their crops with the latter) were evicted. Black farmers became labourers. Many of those forced off white land moved to black reserves, where competition for the ten acre plots increased drastically.<sup>61</sup> The foregoing measures were revised and severely tightened up after the British colonists had brought all Boer republics into the Union of South Africa in 1910. Post-Union land laws included the following:

#### The Post-Union of South Africa Measures (Apartheid Laws)

Year	Measure	Effect
1913	Native Land Act	Demarcated 8% of country's total surface area for black ownership by black people - also reserved 98% of land for white ownership. Black people not allowed to acquire or use land in areas reserved for whites and vice versa. <sup>62</sup>
1936	Native Trust and Land Act	Parliament empowered to purchase additional 5% (6.2 million hectares) over a ten year time-frame. The Act retained restrictions of 1913 Land Act.
1936	Urban Areas	Regulated black entry and conduct in urban areas.



children to multiracial schools; and employed labourers on their own farms. The Mfengu and other Cape Colony farming success stories were repeated in Natal, the Orange Free State, and the Transvaal. For instance, by 1904, the Transvaal boasted about 75000 black people who were working their own farms or were hiring crown land Modern South African historiographers such as Colin Bundy, Stanley Greenberg, and John Browett concur that in most parts of the Eastern Frontier - including southern Natal - just about every black household was successfully engaged in peasant farming. Therefore, large numbers of black people enjoyed a reasonable degree of self-sufficiency and independence from low wage labour on white farm.

The immediate effect of the relative independence of black people was felt by white farmers and employers. There were frequent complaints about black people who were too well off not wanting to surrender their labour to white farmers and employers. The irony of the South African black farming success story of less than a century ago is that today there is hardly a single black farmer successfully engaged in commercial farming. White fear of competition from black people and the need for black labour lie at the root of the problem.

It is for these reasons that during this part of the nineteenth century great conflicts and pressure arose between the opposing interests of white employers - for black labour - and black people who strove to find alternative sources of income than to accept low wage labour. It should be borne in mind that by this time, black households had started developing a relatively strong consumer sector. Their love for expensive and manufactured goods had long been noticed by the missionaries who introduced trading stores that depended primarily on black consumer patronage. Thus, black households had come under increasing pressure to subsidize their newly acquired yet expensive life style.

As already pointed out, many white landowners found ways of circumventing these regulatory measures in order to derive maximum benefit from black labour supply through land-tenancy arrangements. Even the introduction of limited individual title deeds to black people failed to help solve the problem of labour supply. A very large number of Africans continued to pursue other livelihoods in express preference to working for low or upon poor terms white landowners. Some chose wage labour at the better remunerative levels than were being obtained elsewhere; others pursued trades, frequently but not exclusively transport riding, often linking this with peasant farming; the peasant majority relied upon wool and other products to meet hut tax and rents or to buy trade goods.<sup>67</sup>

For some time, many black peasants survived the onslaught against their farming activities. They found ways to bypass the impediments that the white lawmakers placed in their way. De Kiewiet adds that white landowners and government officials had little knowledge of black attitudes and behaviour. At least two generations of settlers grew up in ignorance of the ingenuity and appropriateness with which the natives in their tribal state met the many problems of their lives, and in ignorance of the validity of many of the social and moral rules which held them together. European society most easily saw the unattractive aspects of tribal life. It saw the superstitions and the witchcraft and cruelty. But it failed to see, or saw only imperfectly, the rational structure of tribal life, the protection which it gave the individual, the comfort which it gave his mind, the surveillance which it kept over the distribution of food and land. Between soldier and settler, missionary and magistrate, there was an unvoiced conspiracy against the institution of the tribe.<sup>68</sup>

This same period witnessed the outbreak of a severe drought and one of the most disruptive wars. What white landowners, farmers and their elected representatives had failed by legislation to bring about - the diminution of the Africans' freedom of choice and their diversion into labour upon white farms - the droughts and wars of the years 1877 to 1881 were partially to achieve. Two-thirds of the crops failed; the number of men forced to seek work doubled in a single year; financial depression, scarcity, stagnating trade and want of food were the motifs in the dirge-like reports that preceded the war.<sup>69</sup>

During the time-frame covered above, traditional black communities had delivered an emergent group of small-scale commercial farmers who largely aligned themselves with mission stations. They "built square houses" and sent their children to private schools. Small-scale black commercial farmers had virtually joined and developed the habits of their missionary mentors - for instance, they also joined the white chorus about the problem of labour, high wages and so forth. This group was later to put much pressure upon traditional chiefs. Because they enjoyed the support of missionaries and government officials, the emergent and elite black middle class despised the traditional roles of chiefs. Black commercial farmers had become less dependent upon chiefs for the allocation of communal land. Yet the ranks of the non-mission black people had grown to outnumber the former - thus creating some class conflict.

The anti-African legislative process of pre-1910 incorporation of the Boer republics had not pressured the majority of black peasants into wage labour. Most still preferred working on the land for their own benefit rather than joining the long journeys to the new mining settlements. Browett reiterates that "in spite of all these attempts to push

Black labour to the mines, the dangerous work conditions and the prison-like accommodation could be expected to be an attractive pull factor. At Kimberley the black workers were housed in compounds, ostensibly for security reasons - to prevent the smuggling and sale of stolen diamonds. It was this system which was adopted on the Witwatersrand - where the same security reasons did not apply - because of its cheap and effectiveness in controlling labour, in reducing desertions and in preventing the emergence of black trade unions."<sup>70</sup>

Black people resisted mining wage labour largely due to the exploitative conditions and manner in which it was practiced. Mining employment conditions were far worse than those that applied on white farmlands. Davies, O'Meara and Dlamini state that "it was in the mining industry that the wage labour system of exploitation, which distinguishes the capitalist mode of production from others, was first introduced into South Africa on a significant scale. While the various forms of production established under colonialism between 1652 and 1870 had produced the large scale exploitation and often brutal oppression of the colonized, they were not exploited (nor oppressed) as wage labourers. However, with the establishment of the mining industry, very large numbers of black workers were rapidly drawn into the wage labour system. Within three years of the opening of the Witwatersrand gold-fields in 1886, over 17 000 African workers were employed in the mines, together with 11 000 whites. Twenty years later the figure had reached 200 000 black workers and 23 000 whites."<sup>71</sup>

## **5. THE ERA OF SEGREGATION AND APARTHEID [1910-1979]**

The system of apartheid has evolved into a powerful instrument of containment and "nation" building over a long period - measurable in hundreds of years. In her authoritative analysis of the apartheid system (and its policies), Merle Lipton<sup>72</sup> offers the following as the "defining characteristics of apartheid:

(a) The hierarchical ordering of the economic, political and social structures on the basis of race, identified by physical characteristics such as skin colour. Whites (roughly 18 per cent of the population) comprised a ruling oligarchy and privileged elite; coloureds and Indians (12 per cent) and Africans (70 per cent) were second and third class citizens respectively - indeed, Africans were even defined by the government as non-citizens.

(b) Discrimination against Africans, and to a lesser extent coloureds and Indians, who were excluded from many of the civil, political and economic rights enjoyed by whites, such as the vote, freedom of movement, and the right to do certain jobs or own property in most of the country.

(c) Segregation of the races in many spheres of life: they lived in separate areas, went to separate schools and universities, used separate buses and trains; there was little social mixing; sexual relations and inter-marriage across the colour line were illegal.

(d) The legislation and institutionalization of this hierarchical, discriminatory and segregated system, which was enshrined in law and enforced by government.

Lipton goes on to identify four developmental phases of apartheid - these are:

(i) Phase 1: Foundation of Apartheid - this process began in 1910 and continued to the close of 1939;

(ii) Phase 2: Erosion - this period witnessed the abortive erosion of apartheid which lasted between 1939 and 1948;

(iii) Phase 3: Consolidation - the consolidation of apartheid policies and infrastructure. This process lasted between 1948 and 1960; and

(iv) Phase 4: Cosmetic Change - between 1960 and 1970, apartheid was given much publicized cosmetic and semantic face lift. The system became known as Separate Development.

Lipton concludes that, during its four phases of foundation and transformation, apartheid has produced more controversy than any other social system or political economy ideology in modern times.

The true origins of the system of apartheid are deeply rooted in the very beginning of Afrikaner nationalism. In essence, the system of apartheid began a few centuries before it was formally introduced in 1910. Successive Afrikaner and British governments authored the basic foundations of the system. The difference between the "apartheid" way of life that prevailed prior to 1910 and the post-1910 system lies in the fact that former governments and administrators failed to give the system a name. Leonard Thompson<sup>73</sup> observes that the descendants of the Europeans, who settled at the Cape Colony, pursued two distinct mythological themes: the first was mobilization, with a strong liberatory motif. Their survival as a budding nation was constantly being threatened more by British imperialism than black resistance. The second theme was racism.

According to Thompson, the political mythology that legitimizes the South African social order rests on a core assumption about humanity, namely, that races are the fundamental divisions of humanity and that different races possess inherently different cultural as well as physical qualities. In the modern South African context, white people as Christians, have a God-given destiny to preserve their distinction from other races. Hendrik F Verwoerd was the most authentic exponent of this assumption. He proclaimed:

"We send this message to the outside world and say to them....that there is but one way of saving the white races of the world. And that is for the White and non-White in Africa each to exercise his rights within his own areas...we have been planted here, we believe with a destiny - destiny not for the sake of the selfishness of a nation, but for the sake of the service of a nation to the world of which it forms part, and the service of a nation to the Deity in which it believes...If meddling people keep their hands off us, we shall in a just way such as behooves a Christian nation, work out solutions in the finest detail and carry them out. We shall provide all our races with happiness and prosperity."<sup>74</sup>

The National Party leaders who came into power in 1948 were imbued with the Verwoerdian version of racist Afrikaner mythology. Besides resisting British imperialism, this group of new Afrikaners sought to frustrate the continued anglicization of white South Africans. They also sought to resist dynamic "forces that were creating an industrial society out of people of diverse background and traditions."

The Verwoerdian era of Afrikaner mobilization ushered in one of the most ruthless and oppressive regimes in modern history. When Verwoerd's government led South Africa out of the Commonwealth, Verwoerd wrote apartheid into the statute books. He denounced the notion that South Africa should be treated as a multiracial nation with one multiracial parliament. He maintained that "true unity in racial group can only develop among its people, separated from the others. The only national unity for the whites is unity among the whites."

Verwoerd told his followers that just as whites had the rights to national existence and self-fulfillment, so had the several black communities - whom he viewed as budding nations. To this day, Afrikaner politicians continue to pursue the fragmentation of the indigenous population into "nations" whose patriotism revolves about language and tribal affiliations.

Verwoerd stated rather categorically:

"We do not only seek and fight for a solution which will mean our survival as a white race, but we also seek a solution which will ensure survival and full development-political and economic - to each of the other racial groups, and we are even prepared to pay a high price out of our earnings to ensure their future....We want each of our population groups to control and to govern themselves, as is the case with other nations. Then they can cooperate as in a Commonwealth - in an economic association with the Republic and with each other. In the transition stage the guardian must teach and guide his ward. This is our policy of separate development. South Africa will proceed in all honesty and fairness to secure peace, prosperity and justice for all, by means of political independence coupled with economic interdependence."<sup>75</sup>

Successive South African administrations proceeded to give effect to this grand racial design. However, the results were anything but peace, prosperity and justice for the vast majority of the population. Going far beyond previous laws and practices, the government made racial segregation and discrimination pervasive and inescapable; it suppressed dissent with the utmost rigor; and it ensured that the majority of the indigenous population would be condemned to live in squalid poverty by removing their rights to land ownership and citizenship. Large segments of the indigenous population were herded into barren reserves which were redesigned [in Orwellian style] as "Homelands." In those scattered and impoverished territories, African communities could survive only by sending their healthy adults out to earn wages as labourers in the "white areas"; but the government tried to ensure that no more Africans should exist in the white areas than those whom white employers needed to work in their homes, on their farms, and in

their industry. In these circumstances, the Afrikaner nationalist mythology de-emphasized the old anti-imperial and ethnic elements and concentrated on providing legitimization for the racial policies of the government.<sup>76</sup>

The formidable task of implementing apartheid policies was and continues to be conducted through an elaborate network of religious, educational, and communications institutions. A secret society known as the Broederbond - founded in 1921 - became the most effective instrument in the planning, coordination and execution of all aspects of the apartheid system. "One of its goals," writes Thompson, "has been to dominate every aspect of South African society. As Hendrik Frensch Verwoerd put it in 1943, "the Afrikaner Broederbond must gain control of everything it can lay its hands on in every walk of life in South Africa..." Over the years, the Broederbond has stretched its tentacles into all aspects of life among the various communities within South Africa.

Since 1948, all South African prime ministers and nearly all cabinet ministers have been Broeder; so have nearly all the heads of the Afrikaans universities and churches, and of the great state corporations (including ISCOR [the South African Iron and Steel Corporation], SABC [the South African Broadcasting Corporation], SASOL [the South African Coal, Oil and Gas Corporation], and AMSCOR [the Armament Corporation of South Africa]). Two-way flows of information within the Broederbond have enabled its executive council to find out what the (constituent) cells are thinking on relevant issues and to transmit to them its recommendations, which then bear fruit in the actions of influential Afrikaners in all walks of life - national and local politicians and administrators, police and military officers, editors and journalists, clergy and business people, professors and schoolmasters.<sup>77</sup>

From the time the National Party came into power in 1948, the Broederbond was able to exert the most profound influence on public opinion among all segments of the entire country's population. The highest priority for the secret organization has been in the field of education. For instance, white schools were compulsorily divided into two categories, namely, Afrikaans-medium and English-medium. The former were then fed a strict diet of intensive indoctrination through what was termed "Christian National" education. The exclusion of English and other non-Afrikaans-speaking students enabled the Afrikaans schools to have no mixing of language, cultures, religion and races.

In her master's thesis, Johanna Maria du Preez, a graduate of one of Afrikanerdom's proud "Christian National Education" universities Potchefstroom - analyzed fifty-three textbooks for black and white

secondary schools. Du Preez concludes that the textbooks are full of "master symbols" - i.e symbols with which the individual or the community are strongly identified and which are inherently capable of manipulating the behavior of people. Du Preez identifies twelve master symbols starting with the following four - "legitimate authority is not questioned," "whites are superior, blacks are inferior," "the Afrikaner has a special relationship with God," and "South Africa rightly belongs to the Afrikaner." Du Preez also observes that:

"The official premise is that all education in South Africa must be Christian National; a system that was introduced by the Afrikaner in his resistance to British cultural imperialism. The orthodox Afrikaner sees no conflict between Christian and National demands. He regards the two as one. The Afrikaner sees his history as a great national epic struggle in which his entire existence, all his ideals and institutions were realized."<sup>78</sup>

The "master symbols" present in Afrikaans political mythology are not new. In his study of Afrikaner mythology, Thompson states that, even before they set foot on the African continent, Dutch and other European settlers of the Cape Colony had nurtured negative and supremacist stereotypes about the indigenous people. Thompson notes that "throughout northern Europe, Africans were stereotyped as idolatrous and licentious, thieving and lying, lazy and dirty." The stereotypes persisted throughout the eighteenth century, spiced by wars and massacres, and allegations of cannibalism and sexual relations between apes and Africans. Abolitionists as well as defenders of the slave trade had no doubt that Africans were inferior to Europeans. Explanations for African inferiority varied. Environmental determinism was a common explanation: tropical heat combined with the alleged abundance of tropical natural conditions was responsible. Nevertheless, few Europeans doubted that Africans were members of the human species. "They were mature people, to be treated like children. They were lagging a thousand years behind Europeans. This line of thought led to justifications for slavery."<sup>79</sup>

The policies, attitudes and behaviour of the Verwoerdian administration were profoundly influenced by the master symbols and anti-African stereotypes of their predecessors. Such attitudes were behind the discriminatory practices and policies that led to the exclusion of black people from education reserved for non-Afrikaner white communities. Verwoerd and his army of apartheid enforcers sought to remove the influence of missionaries in black education. Thompson observes that "from the Afrikaner nationalist point of view the missionary system of education was dangerous because most mission schools were run by non-Afrikaners whose norms were inappropriate. Verwoerd stated that "good racial relations are spoilt when the correct education is not given. Above all, good racial relations cannot exist when the education

is given under the control of people who create the wrong expectations on the part of the Native himself...It is therefore necessary that Native education should be controlled in such a way that it should be in accord with the policy of the State." <sup>80</sup>

#### **DENIAL OF EQUAL EDUCATION OPPORTUNITIES**

<b>Year</b>	<b>Measure</b>	<b>Effect</b>
1953	Bantu Education Act	Required segregation of education systems in South Africa by language and ethnic groups.
1959	Extension of University Education Act	Excluded black people from previously open English Universities (Afrikaans Universities had always been closed to black people.)

The segregation of black education from white education has had a rather profound impact on the South African society. Concern about the deteriorated quality of black education was the main issue behind the 1976 Soweto Riots. Loss of quality in black education was a direct result of the implementation of the 1953 Bantu Education Act which, inter alia, withdrew state subsidies from schools that were under the control of missionaries. High unemployment among black people contributed to loss of quality in black education.

The newly introduced system of education promoted rote learning from prescribed textbooks within the framework of prescribed syllabuses, in preparation for official examinations. The introduction of Bantu Education provoked a spate of resignations from some of the best qualified black and white teachers. Over the past four decades, grass-roots resistance to Bantu Education grew into a major political sore-point. Long before the Soweto Riots of 1976, black students had signaled their rejection of Afrikaner racist mythology. Z K Mathews, a black South African later to become Botswana's first ambassador to the United States recounted his experience of the Afrikaner-controlled system of education thus:

"Our history, as we had absorbed it from the tales and talk of our elders, bore no resemblance to South African history as it has been written by European scholars, or as it is taught in South African schools, and as it was taught to us at Fort Hare. The Europeans insisted that we accept his version of the past and what is more, if we wanted to get ahead educationally, even to pass examinations in the subject as he presents it...The syllabus for matriculation emphasized South African history, so with Miss Noppe (an Afrikaner) we struggled through the white man's version of the so-called Kaffir Wars, the Great Trek, the struggle for control of Southern Africa. Indeed, we studied this history not merely in the white man's version - which was in-

variably loaded with bias against the non-white - but in a distinctly pro-Boer version. It was as though we were American boys compelled to study the events of 1776 in a version prepared by Englishmen and ultra-Tory Englishmen at that. If it was difficult for us to accept the white man's account of his own past doings, it was utterly impossible to accept his judgments on the actions and behaviour of Africans, of our own grandfathers in our own lands. Yet we had to give back in our examination papers the answers the white man expected."<sup>81</sup>

After 1959, when the government created segregated colleges for African, Coloured, and Asian students, its attempts to use its monopoly of black education as an instrument of thought control became a boomerang. With European missionaries ousted from the process, the African schools and colleges became places where young people gained an apprenticeship in politics and formulated a Black Consciousness movement with a liberatory mythology.<sup>82</sup>

Modern historiographers, historians and scholars agree with Browett's conclusion that "the distinctive characteristic of the apartheid era is the introduction of stricter, more systematic, more comprehensive and strictly enforced control by the state over black people in their movement to urban areas and in their employment and residential opportunities. The principal policy instrument is the creation of quasi-independent so-called homelands, based on the former tribal reserves...What distinguishes the apartheid legislation is that the previous ad hoc segregationist measures were amended, supplemented and combined within a political ideology that has been pursued with a single-mindedness of purpose...In an attempt to serve the interests of both Afrikanerdom and capitalism, a number of measures were undertaken to preserve white supremacy, privilege and power and to maintain the exploitation of black labour as a lever of capital accumulation. The three inter-related themes may be identified: the containment of urban black people, regional decentralization and the suppression of dissent."<sup>83</sup>

In her analysis of the impact of apartheid on capitalism, Lipton adopts a similar line of argument. She says that the defining characteristics of apartheid or "separate development" have always included the hierarchical ordering of the economic, political and social structures on the basis of race; discrimination against Africans, and to a lesser extent coloureds and Indians; segregation of the races in many spheres of life; and the legalization and institutionalization of this hierarchical, discriminatory and segregated system, which was enshrined in law and enforced by the government.<sup>84</sup>

## MAJOR APARTHEID LAWS

Year	Measure	Effect
1909	South African Act	Excluded black from democratic political system but black people in the Cape remained on common voters' roll.
1913-35	Native Land Act	Restricted black people to 36% of land and Native Trust while reserving balance to whites and land Act. Also barred black landownership outside black "reserves" later known as homelands.
1949/50	Prohibition of Mixed Marriages Act	Forbade marriage and extramarital sexual intercourse between white and black people. Act revised in 1950
1950	Population Registration Act.	Provided for rigid classification of all races based on appearance, acceptance, and reputation. A central register was created for whole country.
1950	Group Areas Act	Disqualified black people from residing on and owning land in "white" areas. Also augmented various laws providing for racially segregated areas. This was more far-reaching than all previous legislation. The Act was re-enacted in 1957.
1951	Bantu Authorities Act	Abolished tribal councils and paved way for introduction of Bantu Homelands for black tribal groups.
1952	Native Laws Amendment Act	First passed in 1937, the Act designated all towns and cities as prescribe areas where influx Control will be automatically applicable.
1953	Reservation of Separate Amenities Act	Reserved certain facilities for separate white creating alternate but inferior facilities for black people.
1954	Natives Resettlement Act.	Eliminated black communities located within white South Africa.
1955	Native-Urban Areas Amendment Act.	Removed black workers living in white areas as servants to white households.
1964	General Law Amendment Act	The Act was used to retrospectively tighten and re-define race classification requirements of 1950 Act.
1968	Births, Marriage and Death Registration Act	Required registration of births, marriages and deaths.
1968	Immorality Amendment Act	Extended provisions of Act of 1927 which prohibited inter-race sexual intercourse.
1970	Bantu Homeland Citizenship Act	Forced black people living outside "reserves" to be incorporated into various homelands according to language and ethnic affiliations or choice.

At the beginning of the twentieth century, there was high unemployment and poverty among whites, especially Afrikaners. The closing of the land frontier, agricultural disasters, and the devastation caused by the Anglo-Boer or South African drove many whites off the land and into towns, where they competed for jobs with similarly displaced black people and with European immigrants, all hoping to find fortunes or at least jobs, on diamond and goldfields.<sup>85</sup>

Several historians have noted that the displaced poor whites were victims of tough competition that emanated from black peasant farmers. This class of whites considered farm work below their status but they also were not successful at farming. Their entry into commerce and industry was equally disastrous because they proved to be too ill-equipped to fit into the skilled levels that prevailed in mining and industry. They had nothing but their race to offer in exchange of skilled work. De Kiewiet<sup>86</sup> wrote that "their race was their title of superiority over the natives, and to do manual work conflicted with the dignity conferred upon them by their race. To have to do work commonly done by natives was offensive." They demanded that their government assist them by providing suitable jobs and other means of livelihood. De Kiewiet states that the fellow whites did not take kindly to the manner in which their less fortunate cousins were being treated by their own government. The former asked: "Shall we permit men in whose veins runs the blood of our Voortrekkers to be reduced to the level of Kafirs."

The sight of swelling numbers of poor whites provoked strong emotive arguments for government intervention regardless of economic consequences. The government embarked upon a policy of fostering manufacturing in order, primarily, to provide employment for the poor whites. The growth of the manufacturing industry was, however, so rapid that soon it had absorbed all the available White labour, and Coloureds, Indians and Africans entered the factories in ever increasing numbers. Government involvement in providing work for the poor whites went deliberately beyond the provision of temporary relief. In 1924, a Department of Labour was created to establish areas of employment in which poor whites were protected against native competition. Municipalities and other public bodies were encouraged to employ more Europeans at "civilized rates of pay."<sup>87</sup>

The problem of poverty was not confined to poor whites. Large numbers of black people had come to live under conditions that were worse than those experienced by poor whites. The condition of poor black people was a direct result of deliberate government manipulation of social and economic development processes. Therefore, poor black people did not stir the same type of emotions and sympathy in the hearts of white government officials. The missionaries were rather help-

less to alleviate the problem. The position of poor black people was viewed with a measure of detachment; it did not inspire significant policy changes on the part of government. Instead, increasing rates of black poverty translated into freer supply of cheap labour for farmers, industry and commerce.

The only form of government assistance that was to cope with black poverty culminated in the passage of tighter regulations that further restricted movement by black people. Several Commissions of Enquiry were initiated to investigate the position of black people and their circumstances. These Commissions raised alarm about the increase or spread of diseases among black people. There was more concern about possible outbreak of disease that might spill over into the white community. Once more, legislation was passed to address the problem. Yet the core issues concerning causes of black poverty and disease were not attacked with equal vigor.

Considerable numbers of black communities fell victim to several outbreaks of disease and other natural disasters that were not limited to man and beast alone. Influenza, tuberculosis, small pox, rinderpest and many other diseases decimated large numbers of black people as well as their livestock. The diseases were not confined to either rural or urban areas. Severe droughts were another source of problem for black peasant farming communities. Drought and disease did as much damage to the stability of the black community as white rule. But most unfortunately, black communities seldom, if ever, received any meaningful relief from government. Conversely, white farmers received subsidies and other forms of material relief whenever natural disasters hit their communities.

By the time the 1913 Land Act was passed, white landowners had begun to give up the idea of using peasant-squatter farmers to work their lands. White farmland was no longer being made available for black farmers to graze or keep their livestock. But most important, white farmers were able to secure favourable legislation, government subsidies and other special favours: black farmers were excluded from these. The passage of the 1913 Land Act brought to a close centuries of black attempts to escape white domination and loss of independence. There was not a single avenue through which their burden of grievances could be remedied. The ruling classes had sealed off all possible loopholes - legal and otherwise.

De Kiewiet wrote: "landless men sought to use any and all of the feeble political devices which they might have had at their call, both of traditional and of colonial varieties: they besought headmen, chiefs, magistrates and missionaries; they pleaded their cases to civil servants and commissioners; and they embarked on litigation, all too frequent-

ly at great cost. Others turned to stock theft or vagrancy; many entered wage labour with the express intention of accumulating enough cash to buy or lease land a little later. With the twin pressures of increasing population and rising land prices, fewer and fewer were able to achieve this aim.<sup>88</sup>

#### **CURTAILMENT OF BLACK BUSINESS OPPORTUNITIES**

<b>Year</b>	<b>Measure</b>	<b>Effect</b>
1950/57	Group Areas Act	Mandated separate urban areas for each racial group.
1963	Policy Guidelines	Prohibited black people from specified trades and business activity.
1966	Quotas	Limited the number of business licenses issued in black areas.

Most students of South African history agree that black resistance to white subjugation through land appropriation was furious. Several major incidents of black uprising took place particularly during the nineteenth century. Much of the resistance - referred to by the white settler community as rebellions - was against measures that sought to restrict black access to land. All major African communities, namely the Basotho, Xhosa, Zulu, Tswana, Pedi, Swazi, Ndebele and Venda, put up fierce resistance to the encroachment of Trekboer onto their territories. Some of the more significant uprisings or rebellions included the Langalibalele rebellion of 1874-77; Griqua rebellion (1878); Langenberg rebellion by the Galeshewe community (1896-1897); and the Bambatha rebellion (1906).

Black resistance shifted from rural areas to mining and other employment areas during the late nineteenth century and the early twentieth century. Maylam notes that a number of political organizations were formed in Southern Africa. The initiative behind these lay with members of the mission-educated African elite. Emerging from the mission schools was a group of Africans who were strongly attached to Christianity and who shared a vision of a non-racial, "civilized" South Africa, in which merit counted far more than color. Several members of this elite group went overseas to pursue studies in higher education. Many of these went to the United States where they became inspired by black American leaders like Booker T Washington and W E B DuBois who were calling for equal opportunity and the extension of civil liberties, but also demanding that black people strive for self-determination.<sup>89</sup>

The majority of black political organizations that sprang up by the close of the 19th century and the early part of the 20th tended to pursue middle class values. Some of them were fairly conservative, name-

ly, the Natal Native Congress - which called for black representation by sympathetic whites in the all-white post-Union parliament. Most of the organizations, including those in the Cape Province, were not against the newly established Union - instead they merely sought either direct or indirect representation in it. However, the passage of the 1913 Land Act provoked the mild-mannered black political organizations - such as the South African Native National Congress and later to be known as the African National Congress - to campaign against the discriminatory provisions of the Act. The ANC continued its opposition to the segregationist policies of the Hertzog government.

In the task of mass mobilization, the ANC was less successful than the other major black opposition movement of the time, the ICU (Industrial and Commercial Union) founded by Clements Kadalie in 1919. Within a few months of its founding, the ICU was organizing a strike of Cape Town dockworkers. The following year delegates from various trade unions met in Bloemfontein to form a larger trade union federation, called the Industrial and Commercial Workers' Union of Africa.<sup>90</sup> Known as the ICU, the labor federation later became embroiled in all sorts of strange alliances - first with communist organizations, then with the Hertzog government, and finally with white liberals. The ICU was ambivalent about its own identity: it operated both as a trade union and a political pressure group.

The ICU was not the first black organization to mobilize black workers. In the area of organized labour, the ICU was preceded by the Industrial Workers' Association (1917) which was socialist in its outlook. The IWA has been associated with one of the first significant organized strikes, namely, the 1918 sanitary workers' strike which crippled Johannesburg. This strike triggered a deluge of worker militancy which spread throughout the country during the early 1920s. Black industrial unions started to emerge from 1927. Union activities tended to address immediate issues which originated directly from political rather than dissatisfaction with employment conditions.

The mobilization of black communities continued to be effected through a two-prong strategy that involved organized labour groups and political movements that were becoming increasingly militant. As Maylam observes: "The emergence of black opposition movements in the first few decades of the twentieth century did not pose any major threat to the South African state. The various movements failed to combine with the result that opposition was often uncoordinated and unconcerted. Different movements espoused different strategies and acted with varying degrees of militancy. Generally, the more organized groupings, like the ANC and the ICU, adopted cautious, moderate methods, while the militants' acts of protest tended to be isolated and sporadic. In these circumstances, the state did not require then (as it

does today) massive machinery to suppress opposition. It needed to do little more than simply ignore the petitions, delegations and pleadings of organizations like the SANNC/ANC. For the more isolated acts of militant resistance the state could display a short, sharp show of force, as in Port Elizabeth in 1920..."<sup>91</sup>

#### LAWS REGULATING THE BLACK LABOR MARKET

Year	Measure	Effect
1911	Native Labor Regulation Act	Prevented black people from leaving jobs without employers' consent.
1911-26	Mines and Works Act	Barred black people from entering into more skilled jobs.
1917	Factories Act	Gave whites first options to take up new job opportunities.
1922-44	Apprenticeship Act	Reserved all better paying jobs for whites.
1924	Industrial Conciliation Act	Permitted negotiation mechanisms for white laborers but excluded black workers.
1925	Wage Act	Established minimum wage rates to exclude black people from certain job categories.
1925	Customs Tariff Act	Protected local manufacturers only if they employed a certain proportion of whites.
1932	Native Service Contract Act	Prevented black people from leaving jobs without employers' consent.
1936	Black Urban Areas Consolidation Act	Severely restricted movement of black people outside home'and areas - introduced influx control and "pass" system.
1967	Physical Planning Act	Kept black people out of management and other skilled or better paying jobs.
1965-70	Bantu Labor Regulations	Limited black work contract to one year and required workers to return to homelands. The Act deprived black people of claim to permanent status or residence in urban areas.
1970	Bantu Labor Amendment Act	Gave Bantu Administration Boards unlimited powers to extend reservation of jobs for whites.

Since Pretoria imposed its second state of emergency in June last year and cracked down on nearly all opposition groups, the burgeoning black labour movement has emerged as one of the most powerful forces inside the country to challenge white authority. Increasingly self-confident, militant and well organized, the predominantly black trade unions, which were outlawed by the government until 1979, now claim a combined membership of more than one million workers compared to the approximately 350 000 in the all-white trade unions.

The nation's two-year-old economic recession has made the unions' task of building grassroot support more difficult, and has caused a number of divisions in the ranks of unionized workers. But it has also underlined the heavy dependence of South Africa's modern industries on the black labour force, estimated at about 7,5 million workers. In the late 1970's President P W Botha's government took the bold step of scrapping an earlier ban on black membership of organized labour unions. The rationale appeared to be the government's hope that recognition of black unions would make it easier to control the black worker. Instead, the move sparked the growth of a mass movement that quickly sought and gained a high political profile and showed itself determined to force through wide-ranging economic and political changes.

A measure of the importance of the union movement is the close interest taken in some of the larger union federations by the African National Congress, the main guerrilla group aiming to overthrow the South African government by force, and the United Democratic Front, an anti-apartheid coalition that often reflects the views of the ANC. Black unions have recently taken part in, or led, the biggest protests in South Africa's history, starting with a general strike in the Transvaal in 1984 that involved about 800 000 people. Last year, more than a million workers - nationwide - stayed away from their jobs on May 1, International Labour Day, to protest against apartheid and demanded that May Day be officially declared a paid holiday. The black labour movement also endorsed a general strike by workers and students on June 16 to commemorate the uprising in Soweto in 1976.

Under prevailing "state of emergency" conditions, union actions have been the only significant form of internal mass protest in South Africa. Workers have staged traditional strikes in support of higher wages, as well as sit-ins and work stoppages to protest against the government's emergency detentions of more than 200 labour leaders and some 1 500 rank-and-file members. In October last year, more than a quarter of a million black miners stayed away from work to mourn 177 men killed in a gold mining disaster - a mass action that cost the mining industry an estimated R8 million in lost production. Labour unions maintain that the emergency crackdown against political activists and unionists is continuing, but a recent extension of the government's power prohibits the press from reporting details of detentions, illegal strikes and from commenting on consumer and worker boycotts - both of which were commonly supported or organized by the unions as additional effective forms of peaceful protest against apartheid.

Pretoria has repeatedly warned the labour unions to stay out of politics, but labour leaders in South Africa more often than not are also fierce opponents of apartheid. Many unions are openly affiliated to the

United Democratic Front, the Azanian People's Organization, and other groups embracing mostly left-wing populist or socialist ideologies. The government's attempts to stamp out political activism among union leaders, and to confine the demands of the labour movement to improvements in the workplace, have not produced much result. "The detention of union leaders just increases the militancy of the workers," said Cyril Ramaphosa, general secretary of the 250 000-member National Union of Mineworkers, the country's biggest and best-organized trade union.

Over the past two years, the incidence of strike action and industrial unrest in South Africa has risen sharply. This has brought with it a wide range of improvements in black working conditions, the abolition of racially-based job reservation in most of South Africa's industries, and has narrowed the wage gap between black and white workers. Black people are still excluded from 11 categories of skilled work in the mines, the most important of which is the so-called "blasting certificate", without which a black miner working with explosives underground is compelled by law to work under white supervision. The inability of black people to gain blasting certificates and thus qualify as fully fledged miners is one of the main reasons why the average black in South Africa's gold mines earns about R500 a month, while his white counterpart takes home an average monthly pay packet of about R1 500.

Two years ago, South Africa's Minister of Mineral and Energy Affairs, Danie Steyn, exhorted the mining houses to negotiate an end to racial job reservation on the mines and threatened summarily to scrap the system if it had not been dismantled by then. As South Africa entered 1987, Pretoria had missed its deadline by more than a year. And there are no signs that the government is willing to confront white miners of the 23 000-member ultra right-wing Mine Workers Union, which has succeeded so far in stalling the issue.

It is against this background that the National Union of Mineworkers, led by Ramaphosa - a 34-year-old former lawyer and student activist - has been able to recruit new members, forge an organizational structure in a growing number of mines and pressure the country's mining houses into granting pay rises that have outstripped inflation and improved working conditions. The miners have a growing sense of power. That power will be tested around midyear when the union again meets the Chamber of Mines, the representative body of South Africa's six powerful mining houses, for its annual round of wage negotiations, which almost invariably leads to threats of a nationwide strike by miners. That has not happened yet, but it is always a tense period and underlines the heavy dependence of South Africa on the gold, coal,

platinum, diamond and base metals mines, that together account for more than 60 per cent of the country's total export earnings.

The South African labour movement's increasingly assertive political role has produced tensions of its own, mainly between black unions with differing, or directly conflicting ideologies. In spite of its potential strength and theoretical ability to paralyze many key sectors of the economy, major sections of the labour force remain non-unionized, including farm workers. The birth of the Congress of South African Trade Unions (COSATU) a year ago was welcomed by both the United Democratic Front and the ANC. These organizations urged the new labour federation to pursue merger negotiations with the Council of Unions of South Africa (CUSA) and the Azanian Council of Trade Unions (AZACTU). The latter two unions recently merged to form the National Congress of Trade Unions (NACTU). However, a lingering ideological rift remains between COSATU and the NACTU federation. While COSATU espouses a multiracial, socialist ideology and is closely aligned to the philosophies of the ANC, NACTU, which has about 350 000 members, is exclusively black and aligns itself more closely with the Pan Africanist Congress, a rival guerrilla group to the ANC.

Last year also, the Inkatha movement of KwaZulu Chief Mangosuthu Buthelezi, the country's most powerful black moderate, formed a new labour federation to counter COSATU's brand of socialism and what Inkatha views as the rival federation's excessive militancy. The new group, the United Workers Union of South Africa, has not disclosed its membership, making it difficult to gauge its strength. But it has denounced many of the policies and strategies advocated by COSATU, notably the use of strikes as a political weapon. Some South African analysts believe ideological differences could slow the growth of the black labour movement. While big business in South Africa tends to view the emergent black trade union movement with caution, it is plainly respectful of the power of organized labour. Unexpectedly, business groups have occasionally sided with black unions in protesting against actions by the government, particularly the detention of unionists.

"Labour relations provide an important laboratory for experimenting with democracy in the broader society," explains Anglo American's Godsell. Godsell adds that in the community, increasingly, employers and unions are jointly addressing issues such as housing, rents, consumer boycotts, influx control, and bus fares. And a track record of successful negotiation is being created. In less than eight years of legality the black trade movement has established an important foothold in the political life of South Africa - despite continued black disenfranchisement.

The four decades between the mid-1930s and mid-1970s were marked by a series of troughs and peaks in African opposition and resistance to the South African system of white domination and capitalist exploitation. The period began with a trough. In the early 1930s, movements such as the ANC and the Communist Party of South Africa were becoming increasingly ineffectual. The branch and provincial organization of the ANC had been steadily deteriorating; the [economic] depression had aggravated its precarious financial position; and divisions between moderates and radicals were continuing to undermine ANC unity. The early 1930s also represented a stagnant period for African trade unions. At the best of times the business of organizing black workers was fraught with difficulties. Black unions were not illegal in the earlier decades of the century but their ability to act was severely curtailed by the Masters and Servants legislation which laid down criminal penalties for the breaking of a contract, by pass laws which forced people to take work under unfavourable conditions and provided machinery for prosecuting and deporting those who would not work, and by the migrant labour system.<sup>92</sup>

After the Afrikaner National Party came into power in 1948, black resistance continued to experience the peaks and troughs of the 1930s. Increasing state suppression of and internal dissent within major political and labour movements weakened black resistance. Periods of diminished activity among black opposition organizations came to an end during the late 1950s and the 1970s when black workers and opposition groups confronted the state. These resulted in the (1960) Sharpeville massacre of black people as well as the nationwide riots of 1976. Maylam notes that the "ferocious suppression of black opposition movements in the early 1960s was followed by a lull in African politics. Leaders were imprisoned, banned or forced into exile. From 1962 to 1968 there was a period of industrial peace, during which time the number of Africans involved in officially reported strikes did not rise beyond 2 000 a year. The state machinery, backed by draconian legislation and a growing army of informers and spies, made the task of recovery awesome."<sup>93</sup>

In the 1970s the lull came to an end. Two particular developments shaped the renewal of the struggle. One was the revival of trade union organization and their overt militancy. The other was the growth of the black consciousness movement. In the early 1970s, Durban formed the centre of African worker activism and a catalyst for the later resurgence of black unionism. Although the revival of black worker organizations and militancy and the growth of the black consciousness movement were two important developments in the early 1970s, neither significantly shaped the major popular outburst of the decade - the Soweto revolt of 1976. The revolt was sparked by school children who had become disillusioned with Bantu Education - and more spe-

cially the requirement that black secondary schools use Afrikaans as a medium of instruction.

Maylam concludes that less than ten years after the event it is still difficult to assess the wider impact of the 1976 disturbances. Certainly they ushered in an era of enhanced black activism and militancy, manifested in a resurgence of the ANC's popularity, the development of black worker organization, and the revival of guerrilla activity. In the immediate aftermath of the revolt the government itself cracked down on opposition movements, banning various organizations and detaining leaders. However, whereas these strong-arm tactics had succeeded in seriously undermining black opposition in the aftermath of Sharpeville, they have not been that successful in the aftermath of Soweto.<sup>94</sup>

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## **CHAPTER II**

### **ANALYSIS OF BLACK PRIVATE SECTOR CONSTRAINTS**

- 1. APARTHEID AS THE PRIMARY SOURCE OF CONSTRAINTS**
- 2. THE LEGAL PILLARS OF APARTHEID**
- 3. BLACK BUSINESS ES AND REGULATORY CONSTRAINTS**
- 4. SHORTAGE OF DEVELOPED SKILLS AND SUITABLE LABOUR**
- 5. FINANCIAL CONSTRAINTS**

## **1. APARTHEID AS PRIMARY SOURCE OF CONSTRAINTS**

The detailed review of the history and evolution of the black private sector has dealt with the origins of major constraints resulting in the poor state of black business. For the purpose of this analysis, apartheid ranks as the primary source of constraint that retards growth and development in black business. It is not being suggested here that black businesses cope well with other normal problems and constraints that affect all companies, whether these are large, small or white-owned. As Leon Louw of the Free Market Foundation has pointed out, the problems of black business include those that affect business in general and in addition, apartheid sponsored business problems are what makes black business less normal and different.

The impact of apartheid on black business occurs at different levels and in many different forms. This impact is so pervasive that it leaves no sphere of black business unaffected. In her recently published book, *Capitalism and Apartheid: South Africa, 1910-1986*, Merle Lipton discusses various ways in which apartheid has and continues to retard the economy. Lipton's analysis updates most of the work previously conducted by other modern writers such as Colin Bundy, Stanley Trapido, Stanley Greenberg, Christian Rogerson and David Smith, to name a few. Jill Natrass, Leon Louw and Frances Kendal, and Vella Pillay comment on the effect of apartheid on black people even more closely.

The following analysis is based on research data from independent sources such as the Urban Foundation (1982-3), the National Manpower Commission (1983) David Dewar's Proposals for Small Business Stimulation in Metropolitan Durban Region (1984), Linda Human's<sup>1</sup> study of issues affecting black and white managers (1985), and the Consumer Behaviour study of black private sector constraints (1986) as well as the NAFCOG study (1974) conducted by Schutte. Other confidential research sources have been added to the analysis. The latter were conducted during 1985-86 and dealt primarily with the interplay between apartheid politics and black economic issues.

Following are areas where the negative impact of apartheid has been most pronounced:

### **1.1. Black Dependency on White Employment**

From inception, the system of apartheid relied upon a complex body of statutory measures and social conventions that were deliberately designed to break the spirit of entrepreneurship among black people. It has already been demonstrated, in the historical review, how successive Afrikaner governments have systematically gone about dismantling post-colonial black entrepreneurship so as to protect white enterprise - both agricultural and industrial. Besides the eradication of competition from black people, the apartheid system was designed to generate perpetual conditions of dependency among black people.

Thus, today vast sections of the black community have become totally dependent upon the white community for all their livelihoods. But most important, conditions of dependency have bred other undesirable characteristics among a large section of the black community. For instance, many black people firmly believe that black people do not have it in them to start and run businesses successfully. Data from the aforementioned research sources have firmly established that large numbers of black people prefer to be employed by white rather than black-owned firms because of supposed superior and more equitable conditions.

Unpublished corporate-funded studies reveal that most black employees show greater preference for the maintenance of paternalistic relationships with white employers. Conversely, the majority of white employees resent the intrusion of employers into their personal relationships and life. However, whites who share limited skills, lack of confidence and resourcefulness tend to seek paternalistic protection from their employers. In the case of black employees, strong preference for paternalistic relationships has a lot to do with their lack of adequate support mechanisms and strategies to protect themselves against the ravages of apartheid laws and social conventions. Over the years, black employees have sought to enlist their employers' support and resources to help them cope with the demands of apartheid, that is, from dealing with Pass Law offenses to assistance in unraveling applications for residential sites. Black employees had long realized that the apartheid enforcement agencies were manned by whites who are partial towards white employers - more especially if the employer shares both language and social background with the bureaucrats.

## **1.2. Lack of Exposure to Modern Business Practices**

Social conventions and the laws of apartheid are responsible for the low awareness or appreciation of proper business practices and conduct among black businesses. Research input from studies conducted by the Urban Foundation (1982-3), the National Manpower Commission (1983) David Dewar (1984), Linda Human (1985), and Schutte (1974) has shown that black business persons have tended to enter into their own businesses with little or no knowledge and experience about how businesses are generally run. In addition, many do not fully understand how important institutions such as banks, legal and accounting firms operate. Lack of exposure to proper and varied business experience stems largely from the fact that most black people seldom serve long periods of "apprenticeship" within medium to large companies. Apartheid laws had precluded black people from entering into higher skilled jobs in management and related areas. This position was reversed during the mid-1970s.

A recent study of black and white managers, by Linda Human, found wide disparities in the treatment of black and white managers by white employers. The report stated that while it is true that black managers are hindered in their growth and performance by cultural factors, lack of educational qualifications and by racial discrimination, these managers are more than justified in complaining about conditions that exacerbate these factors. The contentious conditions include what black managers view as lack of meaningful relationships in the work situation, lack of feedback and accessibility to superiors, disrespectful attitudes from whites, covert or overt racism, nepotism, and paternalism.

Social segregation has also made it almost impossible for black people to gather the kind or quality of experience and confidence that come from unhindered social intercourse. Furthermore, social exclusion disqualifies many from establishing effective networking systems and sources of business intelligence. The Consumer Behaviour study corroborates Linda Human's research findings and conclusion on the foregoing issues.

Growing unemployment and physical separation have also played their part. Many young black people grow up without the benefit of making acquaintance with their white counterparts - who live in social environments that are interwoven into business practices or life. Black education is another of apartheid's inventions that has produced fewer successful black entrepreneurs. The education system lacks strong business orientation.

### **1.3 Impermanence and Insecurity**

Apartheid laws have created near permanent conditions of impermanence among vast segments of the black community. Laws and systems that forced black people to join the migratory labour system of employment have robbed them of opportunities to exercise proper business practices. Many have not ventured into business largely because they feared they would not be allowed to remain longer in the areas where they were allowed temporary sojourner status. Other operators within the informal and non-legalized sectors have been found to be without possession of valid documentation that entitles them to residential permanence.

Black entrepreneurs operate under severe conditions of insecurity - largely stemming from fear of prosecution for infringement of any of the remaining apartheid laws. This insecurity discourages many from making permanent and substantial investment in their undertakings. Years of operating under stringent and arbitrary apartheid conditions are responsible for the absence of serious and diversified black businesses. Details of these and regulated shortcomings are discussed under the section concerned with Regulatory Constraints.

### **1.4 Collusion Between Government and Big Business**

Analyses of apartheid economics by Merle Lipton and Vella Pillay repeatedly demonstrate the existence of what C W de Kiewiet previously described as the "unvoiced collusion" between government and white (big) business interests against black business. Spokesmen from both public and primary private sectors continue to show little or no interest in helping black businesses grow beyond the level of the small and informal sector. Several other analysts have argued that big business is less serious about its claimed commitment to black advancement.

During the current analysis of various published documents, proposals and reports on the issue of black business development, it became abundantly clear that sponsorship of black business ventures by white companies is almost exclusively confined to small and informal sector activities that are confined to black townships. All of these activities currently present no serious potential competition to established white businesses. Arguments in favour of government reforms - from both government and big business - centre about small and informal business development. None of the major South African corporations have sent out invitations for black participation in their existing major businesses.

By and large, both big business and government appear to be concerned more about the short to medium-term negative political implications that are inherent in increasing unemployment among black people. Economic survey reports issued by major financial and industrial institutions clearly demonstrate this concern. Economists attached to these corporations constantly urge government to speed up reform in order that more black people may be absorbed into large companies. But as Vella Pillay has said, most big businesses are concerned more with their own long term survival than with the entry of black people into partnership with big business.

Collusion between big business and government has produced development agencies whose role is viewed by black people as being nothing more than short-term political appeasement to the black uprising of the mid-1970s. Qualitative research conducted by Consumer Behaviour among black people in leadership positions has unearthed deep-seated, cynical response towards post-Soweto 1976 organizations such as the Small business Development Corporation and the Urban Foundation. Major criticism centres about limited amount of funding, pre-determined objectives and areas of involvement, poor timing and the perceived imposed manner in which they are introduced to the black community. In short, both organizations appear to be doing the job that should rightly be done by government.

Another shortcoming that is often articulated by government and primary sector spokespersons concerns the need to encourage the growth of the black consumer sector. Once more, short-term self serving interests appear to be the primary motivation. Figures from the Department of Statistics as well as private sector economic and market research companies confirm the fact that black consumers are overtaking their white counterparts in most consumer markets. For instance, black private consumption expenditure overtook that of whites a decade ago. Contrary to earlier predictions, increased growth in black consumption has not introduced black people into sophisticated manufacturing.

### **1.5 Disrupted Urbanization**

Apartheid laws have been particularly severe in their impact upon black entry into urban and industrial sectors. Today, there are more black people who are locked into rural joblessness and poverty than there are in the urban areas. One of apartheid's central objectives revolved about the need to stem the flow of black people from rural areas into metropolitan centres. This policy has had major negative impact upon the growth of black business. For instance, prospective and existing black entrepreneurs were encouraged to start or move their

city-based businesses to homeland areas. All sorts of incentives were offered to them to relocate their businesses.

A study for NAFCO (1974) by the Small Business Unit at Potchefstroom University expressed disappointment about the fact that an overwhelming percentage of black entrepreneurs had shown little or no interest in relocating in the homelands. The report recommended that steps be taken to facilitate the relocation of black businesses from "white" urban centres to homeland areas. Commenting on the research results, Schutte wrote: "In terms of existing government policy, as already indicated, the black man occupies only a secondary position within White South Africa. It follows, therefore, that he can only obtain such a position by moving back to his specific homeland...A large percentage of the businessmen interviewed has not even looked at the economic opportunities which their homelands may offer...It has become clear from our investigation that it is of utmost importance that a "security base" must be built into any scheme informing Black businessmen about the opportunities in the homelands. Many of them would probably be interested in moving to the homelands but there seems to be no way whereby the correct information reaches them."<sup>4</sup>

### **1.6 Conducive Business Environment**

Those who have more than passing knowledge of the apartheid system have repeatedly stated that this system breeds an environment and conditions that are inimical to smooth and sound business growth and development.

Just as big businesses desire the return of political stability to most parts of the black community, black business operators within this environment have long been pleading for greater protection against the unpredictable political uprisings. Because theirs are much smaller and much younger enterprises, black enterprises are far more vulnerable to township instability than their more established and bigger white counterparts.

The prevailing climate of social, economic and political instability has gone a long way to destroy whatever confidence the black private sector may have enjoyed. Major sections of the black community have been operating under deteriorating social and environmental conditions which date back to the 1976 Soweto Riots. For over a decade, affected black communities have witnessed massive deterioration in the quality of the social fabric that has held together impoverished groups of households over generations of economic deprivation. The disappearance of social dynamism and exuberance has been aggravated by the decay of the immediate physical environment.

The already bad social climate has grown worse as a result of the four-year old wave of political instability. Similarly, one of the most severe economic recessions has dislocated millions of black workers from the employment market. In addition, vast sections of urban neighbourhoods have been subjected to various boycott campaigns - most notably the long-lasting national rent boycott.

The cumulative impact of the foregoing factors, on normal community life, will be around for many decades to come. Presently, most urban and rural black communities are reeling under the impact of much increased crime, starvation, disease, filth and squalor, psychological depression as well as other social ills. The black community has been drained of the vital support mechanisms: where confidence and dynamism used to be commonplace, massive depression, alienation and polarization have set in.

The black private sector has had more than its fair share of the problems. Traders have most frequently been daily targets of the criminal element. The situation has been allowed to go on for so long that traders no longer bother filing crime reports with their local police authorities. Too few enterprises can afford to carry the high cost of proper security personnel. But most important, the prevailing socio-economic and political slide makes it impossible for black enterprises to contemplate making major investments in new or extended ventures. Equally important, the social decay has dampened enthusiasm among prospective young entrepreneurs.

Prevailing anarchy conditions have encouraged insurance companies to review their policies and approaches towards coverage of black enterprises. During the Consumer Behaviour research fieldwork, most entrepreneurs frequently complained about lack of adequate insurance protection for existing assets. They reacted strongly to the fact that some insurance companies have radically increased the cost of insuring black enterprises. Further, frequent criminal incidents of interference with delivery vehicles have led large manufacturers and suppliers to curtail services into black areas. Finally, most small manufacturers had lost white customers - mainly from large corporations - due to the disinvestment campaign. Among the disinvesting corporations were major Sullivan Signatories who were committed to supporting black businesses by, inter alia, purchasing some of their more basic supplies from small manufacturers.

## **2. THE LEGAL PILLARS OF APARTHEID**

The scope of the analysis does not allow for a detailed discussion of all apartheid laws and conventions. Literally, there are hundreds of laws, by-laws, ordinances, provincial and municipal measures as well as social norms that serve to implement and sustain the system. Following are summaries of apartheid laws, grouped according to areas of application.

### **2.1. Basic Apartheid Laws**

#### **2.1.1. Population Registration Act 1950**

This law acts as the cornerstone of all apartheid legislation. Its purpose is to ensure that all sectors of the country's population are entered into separate registers according to race, colour and social habits. Its impact on black business development is exacted through the application of other measures that serve to implement its basic requirements.

#### **2.1.2. The Native Land Act 1913**

This piece of legislation prohibits black people from participating in land ownership and speculation outside homeland areas. The impact of the Act has been dealt with in greater detail under the review of history and evolution of the black private sector. Most notably the Land Act is responsible for placing black people into conditions of perpetual impoverishment. It is the primary source of black dependence on paternalism and favours from white institutional control.

#### **2.1.3. Native Labour Act (1964) and Industrial Conciliation Act (1924)**

The acts regulate the conduct of black workers particularly with regard to labour union activities. These acts must be read together with the Mine and Works Act of 1911, which limits the granting of certificates of competency for many occupations on the mines to whites. This has been the basis of job reservation within the mining industry. The Mine and Works Act is one of the oldest laws that have remained unchanged for several decades.

#### **2.1.4. The Black Urban Areas Consolidation Act (1923)**

The law governs all aspects of life, work, and rights among urban black people. The Act has seen several amendments as well as incorporation or reinforcement through several other regulations and

measures. The Act has undergone some metamorphosis: but some of its provisions are catered for through other laws.

### **2.1.5. The Physical Planning Act (1967)**

The Act was designed to stem the city-bound inflow of black people from rural areas. It encouraged companies to decentralize their operations into areas that are located closer to homeland areas. It has been responsible for keeping black people out of managerial and other skilled or better-paying occupational categories.

### **2.1.6. The Group Areas Act (1950)**

This is one of the pillars of the apartheid policy. The scope of the Act has been discussed in detail elsewhere in the report. The impact of the law on black business is discussed in the section dealing with the Regulatory Environment. Therefore, the law is not limited to residential matters: it acts as back-stop to several other regulations, namely, the Liquor Act, the Reservation of Separate Amenities Act, Railways and Harbour Acts, Motor Carrier Transportation Act, and State-aided Institutions Amendment Act.

Together, these laws regulate and direct black activities in a wide range of social, economic, cultural, and political spheres.

### **2.1.7. Bantu Education Act (1953) And Extension Of University Education Act (1969)**

These are the laws that enforce segregation of the country's education systems into as many departments as there are language and ethnic groups. These Acts are responsible for the low quality of education that is provided in black schools, colleges and universities. Its effects are particularly evident in the absence of fully operational and competent black people in management and business.

More specifically, the Acts have made it impossible for black university graduates to obtain relevant orientation and experience in business and management activities. Almost all black universities are located in or near homeland areas - where there are no serious business activities.

### **3. BLACK BUSINESSES AND THE REGULATORY ENVIRONMENT**

The section dealing with the Review of History and Evolution of the black private sector culminated in a brief mention of certain regulatory developments - more particularly laws and measures that have been promulgated between 1910 and 1979. The historical review did not look into how the regulatory environment affects black businesses in detail. In the next few paragraphs we detail some of the regulatory measures and their various impact on the conduct, growth and development of black business.

Research data have come from a number of sources, namely, the National Manpower Commission Report (1983),<sup>2</sup> David Dewar's<sup>3</sup> analysis of Small Business Stimulation in Metropolitan Durban (1984), D Milstein's evaluation of actual case studies of black enterprises that had fallen victim to regulatory constraints (1982), and Leon Louw's detailed discussion of laws that affect all types of business (1979).

#### **3.1 Over-Regulation of Black Business Development**

Problems associated with the over-governance of the South African economy have been well documented by historiographers, marketers, legal experts, economists and politicians concerned with economic growth and developmental issues. Specialist economic and legal research units such as the Law Review Project and the Free Market Foundation have established that literally hundreds of restrictive practices and regulations have been imposed on the private sector by a variety of authorities.

A complex body of restrictive regulations, laws, ordinances, and directives are used to curb and control the activities of small businesses. This strikes a severe blow at the heart of the black private sector which is synonymous with the bulk of small and informal sector activities. Free Market Foundation's Leon Louw maintains that the South African system of law and order has always tended to adopt two different approaches and attitudes towards the administration of regulatory measures: where white individuals are concerned, objectivity and fairplay are the order of the day. Where black people are involved, the laws are applied with a fair measure of restriction and limited fairplay, if at all.

Dewar maintains that the application of reasonable and equitable regulations hinges, in turn, upon attitudes and reasonableness. Wherever black enterprises are involved these two requirements are reluctantly applied. The problem of over-regulation in black business activity is further compounded by the fact that the policing of the

regulations has always been left in the hands of a variety of agencies, namely, Administration Boards or their successors - Local Authorities; licensing and health officials; planning officers; municipal police; Railways police; South African Police and a host of other authorities or agencies. This process was facilitated through the incorporation - in 1952 - of all influx control measures into a single source.

Dewar's analysis concludes that the law enforcement agencies are concerned largely with protection of established traders from lesser established operators - more particularly hawkers and street vendors. At another level, the need to protect established businesses has meant that vast segments of black private enterprise are locked out of the mainstream of the South African economy. Chief among the measures applied here are those Acts that have come to be known as the "pillars of Apartheid". Some of the more drastic measures include the Group Areas Act, the Black Urban Areas Act, the Factories Act, the Apprenticeship Act, Industrial Conciliation Act, Wages Act, Bantu Education Act, and the Native Trust Act. Where specific Acts were found to have left loopholes, these were plugged tight through other forms of statutes, regulations, municipal by-laws, directives and biased administration.

The 1969 measures were a specific case in point. These by-laws sought to wrap up the objectives and intentions of all restrictive laws and other measures into a single instrument. The instrument was administered, primarily, through local black township superintendents and other officers. These measures spelt out the minutest details concerning the business, personal and household conduct of black traders. These measures were also applied to other types of businesses that black people engaged in - although black people were precluded from operating businesses other than those that fell within the definition of trading.

Therefore, in order to qualify for a trading license a black person had to produce satisfactory and documented evidence that proved that he was over the age of 21, was fit and proper, possessed official approval or permit to lawful residence in the area concerned and was free from infectious disease. There were a host of other minuscule yet stringent requirements the prospective or practicing trader had to comply with. But once allowed to practice his trade, the trader could be disqualified or his license withdrawn for failure to comply with various and different stipulations. For instance, a black trader could not stock and sell goods that were not considered "daily household necessities". He could not dabble in industrial activities such as manufacturing. Neither could he enter into partnership arrangements.

Needless to say, these measures put many black enterprises out of operation. In the final analysis, whatever else was left of the black private sector presented no threat to the survival of white businesses. Once more, the 1969 measures must be seen against the broad measures that were initiated during early colonial days - more particularly in 1869. Thus a century of restrictive regulations culminated in the set of extremely restrictive measures described above. Yet the objective of these measures was identical to that of other major laws which sought to extract readily accessible black labour; create dependency and to stifle competition; and keep black people from participating in decisions.

Over the years, black business operators came to view all forms of legislation as red-tape. They seldom were in a position to comprehend the myriad of laws, by-laws, regulations, and proclamations that curbed their activities. Where transgression of the law was the issue, black traders seldom knew which of the laws or permutations of proclamations, statutes, or acts they were guilty of. To reiterate, all the laws operated on a much simplified yet deceptive level as "permits" and requirements. To all intents and purposes, the trader had to ensure that he always kept himself and his business in the good books of the superintendent who signed his employment record each month. This has been confirmed by a statement attributed to the only black industrialist, whose business managed to thrive successfully because he made certain that the "superintendent likes him."

The current analysis of the black private sector has consistently found that the vast majority of black business operators are ignorant about different types of regulatory measures that affect their businesses. Secondly, they continue to view the application of these measures as bureaucratic red-tape. Research has shown that most black traders and other types of operators have tended to run their businesses without due regard to the restrictive measures under review. The multiple ways of enforcing the hundreds of private sector regulations have, in part, resulted in the growth of corruption, bribery and nepotism.

During the research interviews, most black people openly cited instances where they or someone they knew had to resort to underhand tactics in order to grease palms of both white and black bureaucrats. This development is said to have accompanied the introduction of new concessions, in 1979, that were designed to open up opportunities for black people in industrial and service industries. More specifically, the function of allocating business and residential sites fell in the hands of Local Authorities. The latter did not waste much time as they went about awarding prime or available business sites to their own family members, friends and others who used various incentives to smooth the processing of paperwork. It is not intended here to suggest that

every black Local Authority is enmeshed in corruption. However, note must be taken of the fact that during 1986 and 1987 several Local Authority officials made court appearances in connection with corruption and bribery charges. They were also the object of riots: some of them had their businesses destroyed and others were targets of consumer boycotts.

The influence of specific pieces of legislation on different aspects of black private enterprise has been well documented by a few support service agencies and by specialist research units attached to university Schools of Business. David Dewar put forward a comprehensive documentation of laws and regulations that affect small businesses, in general, and black enterprises in particular. We now look at some of the major legal restrictions and their impacts on specific aspects of black business - as presented in Dewar's reports.

### **3.2 Regulations Affecting Location Of Business**

#### **3.2.1 The Group Areas Act (1950)**

The passage of what has now become South Africa's most publicized and most notorious law - the Group Areas Act - was preceded by the 1948 Fagan Report: the recommendations of this report were rejected by the new Nationalist government. Instead, the government elected to embark upon full development of the "reserves" where, according to Verwoerd "we are prepared to accord to non-Europeans, the right to their own opportunities of development." <sup>4</sup>

The Group Areas Act (No 41 of 1950) sought to replace previous piecemeal attempts to entrench residential and business separation. The Act was revised in 1957 and again in 1966. The Act provides for the creation of separate group areas in towns and cities for whites, black people, and coloureds. The ultimate objective of the Act is the regulation and control of separate areas for the exclusive ownership or occupation of different racial groups. The only means of escaping the impact of the law is by special permits issued at the discretion of white officials. Like most of the apartheid laws, the Group Areas Act does not specifically refer to the race or color of the people it seeks to disqualify for exclusion from specific privileges and facilities. As with most other apartheid measures, the application of the Group Areas Act depends largely on the attitude of bureaucrats towards offenders: the law provides ample room for discretion.

Some aspects of this measure are so vague and subtle as to baffle the best legal experts. For instance, many people seem to believe that the Act is silent on whether or not black people can set up business in industrial areas outside designated black residential areas. Careful study

of its definitions and applications reveals that black people are disqualified from doing so regardless of whether they use black-owned or majority white-owned companies. The Group Areas Act produces devastating results on disqualified persons and companies, large and small.

D Milstein's<sup>5</sup> study cites the case of a black respondent who was forced to close his business in central Johannesburg because of the provisions of the Group Areas Act. The report states that the business person "had operated a furniture re-conditioning and upholstery business in the periphery of the Central Business District for a number of years until he was "discovered" and evicted. He then applied for a site in the township and for a license to operate. He spent a frustrating eighteen months being shunted around by various departments, all of whom declined to consider his application until it was approved by the other departments. He now operates from premises provided by the Small Business Development Corporation and quasi-government organizations."

The Consumer Behaviour research study provides ample evidence of some of the consequences of the Group Areas Act. Black respondents stated that, in most cities and towns, members of the Indian community have taken advantage of this situation by appointing "white nominees" who serve as shields against prosecution. With the exception of some black people in the Durban areas, the majority of black respondents claimed that using white nominees was less desirable and less successful. For instance, those who are known to have tried this route were said to have suffered adversely either from the wrath of political activists or unscrupulous white nominees. Black people who avail themselves of white nominees were accused of attracting whites who were bent on exploiting black people without ever ploughing some of the profits back into investments in the disadvantaged community.

The Group Areas Act is much resented within various sectors of the black community. Even the moderately aware black residents seem to understand that this act is central to all the shortcomings and miseries of apartheid. Most important, the Group Areas Act is considered to have been used to deprive black businesses of opportunities that abound in central business districts of major towns, cities and industrial centers. Most black people are firmly convinced that the Act is used to protect white business interests from black competition.

More than any other internal or external force operating within the black community, the Group Areas Act has done a lot to unite black political interest groups, labor leaders and workers, and activists, on the one hand, and generally conservative and/or apolitical black busi-

ness operators, on the other. The Group Areas Act is viewed as an unnecessary intrusion into black economic, social and political life.

Research has also highlighted the impact of the Group Areas Act upon the emergent generation of black manufacturers, distributors, and wholesalers who wish to do business in locations that are adjacent to lucrative markets. The newly established Industrial Parks - or others going under different names - were criticized for encouraging wastage of black investment and effort by "making sure that our businesses are tucked away in the middle of townships where trucks cannot fetch or deliver stocks."

The opening of certain central business districts, in major towns and cities, to black enterprise was viewed rather skeptically by many black people. Most established business owners saw this concession as a trap that will attract them into the city in order to wipe them out of existence. The argument against this concession is that it seeks to prescribe the location of black business activities into those areas where competition, rental and service fees are at a premium. Thus, it will be some time before black enterprises decide to move into these so-called "grey areas" of "white" South Africa.

Some of the white experts and economic specialists have argued that the Group Areas Act is being used to give substance to the concept of a dual economy. In short, the failure of black people to enter into competition against established medium to big businesses, is being interpreted on the basis of old dualist theory stereotype, namely, that the black man is handicapped not so much by legislative impediments and lack of finance but that it is his backward culture that prevents him from joining the tide of a modern or "westernized" market economy.

### **3.2.2 The Black Urban Areas Consolidation Act (1923)**

The rationale for the formulation of this Act flows from the 1930 Native Economic Commission. Ironically, the Commission investigated the causes of poverty in black rural areas. For interest's sake, the Commission found that the black tribal ways of life ran counter to modern economic development. The Act was designed to control the influx of black people into urban areas and their conduct while there. It empowered Local Authorities to set up machinery for the registration of service contracts, to control the influx of Africans and to remove "surplus" persons not employed in the area. The central provision is Section 10 (1), which accords what were termed Section 10 rights to certain "qualified" categories of black people. The provisions of the regulation are so detailed and specific as to leave very little or no ambiguity. For instance, it stipulates that a disqualified black person cannot remain longer than 72 hours within a white urban area.

The notorious sections of the law - generally known as the "Pass" or "Influx Control" law(s) - were repealed during 1986. The most symbolic aspect of this gesture is that black people are no longer expected to carry "Passes" on their persons at all times. As is often the case, whenever certain adjustments are made to a major piece of legislation, the central core of the original Act is transferred to or re-introduced as an amendment to existing laws. The Aliens Act, for instance, carries some of the old provisions of what originated as the Natives (Urban Areas Act) of 1923. For instance, a new regulation requires all South Africans to carry and/or produce, on request, the so-called Uniform Identity Document - which simply means that black people may still be prosecuted for failure to carry the new and common issue document.

The Urban Foundation cites three cases involving black entrepreneurs who were victims of Section 10 rights - the first two did not possess IO(l)(a) status. One case involves a welder who applied for a daily labour permit. This was refused and the welder was threatened with eviction and had to discontinue his business - finally obtaining permanent employment elsewhere. Another case study involves an employee of the (government) Administration Board: he, too, sought a daily labour permit as an electrician. He, too, was threatened with eviction after his application had been turned down. Another case study involved a carpenter who applied for self-employment status from the local authorities. Despite being categorized as IO(l)(a) he was refused registration until he had passed a competency test in carpentry.

This Act poses three rather serious barriers for the development of black enterprises. In the first instance, it attempts to regulate and restrict the movement of black people between urban and rural areas. This is done in order to preserve free access, for white or big industries, to unemployed reservoirs of labour. A system known as the "migratory labour" system was designed to process and approve or reject applications by individual black people to accept employment in "white" urban areas. In essence, the measure catered largely for the needs of big business. It was made extremely difficult for smaller employers - and black businesses in particular - to legally draw rural black labour into "white areas."

Immediate implications for black business are, inter alia, that struggling enterprises cannot compete for the quality of labour that exists especially in large metropolitan centers. Research into black businesses has uncovered an established trend whereby black entrepreneurs have traditionally and illegally drawn their labour from rural areas. Seeing that they could not pay competitive wages for urban labour, black businesses had to devise means for attracting cheaper labour.

The second barrier created by the act centers about the issue of security of tenure. Consumer Behaviour research - and others before it - found that most respondents argued that government should restore land tenure rights to black people. Access to land ownership has been identified by the majority of leadership black people as the absolute key to real growth for black enterprises. As previously discussed, most black business operators believe that commercial financial institutions regard land and/or fixed property as most ideal forms of collateral. This finding confirms David Dewar's assertion that security is a pre-requisite for the expansion and growth of an economic enterprise: it massively affects business confidence and the willingness of entrepreneurs to invest profits in fixed stock or to plan; it determines the ability of entrepreneurs to purchase or dispose of assets as and when the need arises; and it is necessary in order to use land and premises as surety against which finance can be raised.

The research has also established that the 99 year leasehold has not been readily usable for business purposes because this concession has been applied rather selectively. Large sections of the black community are not covered by the 99 year leasehold. Further, some finance houses are less receptive to accept 99 year leasehold as surety. Therefore, few entrepreneurs claim to have benefited from the concession.

According to David Dewar's research findings, the provisions of the Black Urban Areas Consolidated Act have considerable implications for operating overheads. Dewar maintains that the cost of acquiring leasehold can be crippling especially where high rentals are always a disproportionate part of turnover. In addition, the act further affects those businesses and business operators who are forced to live in metropolitan areas that are ceded to homelands. As Dewar observes, "this tends to lead to a psychosis whereby even those people living outside of the homeland are treated as if they are within it..."

### **3.2.3 Zoning Procedures and Related Land Use Control Practices**

Details of land use and control mechanisms operating in different areas designated for different race groups differ in detail - but all are similar in principle. In the "white" areas, the dominant tool of land use is zoning, which derives its legal sanction from an ordinance of Province. The allocation of business sites in black townships within "white" areas is governed by a provision contained in the Black Urban Consolidation Act. Land use control in homeland areas falls under different authorities.

Dewar's analysis finds that all of the foregoing controls are wrong in premise and extremely negative in practice. He concludes that these controls are based upon four premises, namely, that each parcel of land in urban areas has a single optimal use. Dewar dismisses this approach as being erroneous because of a "considerable degree of flexibility in the locational dictates of different uses and activities." Therefore, most parcels of urban land could accommodate many uses, he adds.

Another incorrect premise centres about the view that optimal use of land will remain the same for long periods of time. Dewar maintains that urban areas are in a constant state of flux, and, where allowed, change occurs rapidly. The third erroneous premise is that it is deemed to be in the public interest to entirely pre-determine the use of land and to separate uses through legal sanction. The fourth and final erroneous premise is that it is the function of authority to protect established economic activities from competition and to determine how many activities of a particular kind should operate.

The Consumer Behaviour research reveals that the processing of land in black areas leaves a lot to be desired. Some Local Authorities are known to abuse it to extract personal as well as political gain. Existing and prospective business operators complain about the amount of bureaucratic red-tape that is often involved in the processing of application for sites. Business operators also complained about the fact that black residential areas were not intended to accommodate business operations. For this reason suitably located industrial land is chronically scarce or is unprofitable to develop.

The foregoing problem compounds other problems that black business operators have to put up with - especially those businesses that are engaged in sizable manufacturing activities. Group Areas and Black Urban Areas Acts have ensured that these operations remain locked at the back of inaccessible townships. Further, research data suggests that application for zoning land in black areas takes a considerable amount of time to achieve. The actual process of formulating and submitting documentation for zoning application is fairly complex - it is further compounded by the frequent relocation of authorities who allocate land for business or residential use.

Dewar remarks that application for zoning of land in areas falling under homeland areas takes upward of two to three years. The same can be said of applications in other major urban black centers. One respondent claimed that land zoning procedures have been known to take over five years. This has severe implications for black business operators: they simply lose enthusiasm. Their starting capital also

decreases through inflation - as well as through frequent attempts to grease the palms of civil servants.

Milstein<sup>6</sup> cites the case of a black entrepreneur who approached the Local Authorities or Community Councils with an application for a business site. The application was rejected and the site awarded, instead, to the chairman of the Community Council concerned - the latter had no legitimate purpose for the site. However, he offered to sell it to people who wished to acquire the site. Another case study illustrates how an application for a Kentucky Fried Chicken outlet in Soweto was delayed for twenty six months. The report states that the Community Councils are not required to give reasons for their decisions to turn down applications for sites - thus, generating avenues for graft.

### **3.2.4 By-Laws Affecting the Location of Hawkers**

The operations of hawkers come under some rather stringent by-laws. The Urban Foundation study found that, in the Johannesburg area, hawking is governed by no less than seven sets of laws and regulations. The report concludes that, if one considers that most hawkers are poor and in possession of little or no education, they are likely to breach these regulations unwittingly. The report gives several cases involving police harassment of hawkers.

These measures present unnecessary burdens upon small scale operators such as hawkers, street vendors and so forth. In essence, these regulations are designed to protect established businesses against hawkers for a variety of reasons - most of which are inconsequential. For instance, hawkers are required to conduct their business in a mobile fashion: they are not allowed to remain in one place for longer than 20 minutes. Hawkers are not allowed to operate near "locations, Bantu villages and Bantu hostels."

Available research information has clearly established that the majority of black hawkers, street vendors, and others who operate without legal sanction have taken the view that such procedures and by-laws are a waste of time, money and effort. Therefore, most informal sector operators are forced to disobey such laws and procedures. Shebeeners (on-consumption illicit sellers of liquor) and "pirate" taxi operators are a case in point. In their view, the laws are regarded as nothing but politically inspired harassment of "people who are trying to make a living the decent way."

Operators in both instances cited above, maintain that Government regulations such as these are designed to protect white-owned transport companies and white owned liquor retailers, respectively. Black enterprises that have been affected by the existence of hawkers

and other non-legalized operations cannot always enlist the help of the authorities lest they be accused of aiding and abetting government persecution of black people. A recent dispute between two groups of licensed (SABTA) and non-licensed ("pirate") taxi operators lost the former group a great deal of support and sympathy from black political circles. The matter was exacerbated by the involvement of a white government minister on the scene. The association representing legalized taxi operators has had to make good its lost ground by issuing statements that sought to dissociate the organization from all government-sponsored committees.

Therefore, the issue of hawkers and other non-legalized business operations has now become political. The position of hawkers and others who are penalized by the laws of the land offers attractive ammunition to political activists.

### **3.3 Regulations Affecting Entry Into Business**

The entry of black people into business is regulated by a variety of laws which are not necessarily racially biased. However, as we have already seen, many prospective black entrepreneurs are poorly equipped to cope with statutory as well as commercial lenders' procedures governing the establishment of new enterprises.

#### **3.3.1 The Companies Act**

This is perhaps one of the most complex pieces of legislation seeking to control and regulate the activities of companies. The National Manpower Commission report acknowledges that "the diversity of administrative regulations and the financial burdens which exist in terms of this Act do not encourage many small businessmen to utilize the entrepreneurial form of a company, notwithstanding the fact that businessmen do have a need therefore." The report also states that in other cases the Act places such a burden on small companies that they cannot function effectively. The National Manpower Commission also makes mention of the fact that "there is only one [Companies] act which exists to meet the requirements of big business as well as the one-man business."

By and large, the majority of blacks planning to enter into business have immense difficulties coping with the implications and requirements of the act. Dewar concludes that "in its present form [the Companies Act] is totally unsuited to the needs of small-scale companies. The legislation ties the company into a complex system of application, auditing and control, as well as into a system of statutorily determined costs which, in toto, are sufficient to cause small companies serious problems."

Information from the research program supports Dewar's conclusion that the complexity of the Companies Act has, in part, been responsible for the failure, among small black operations, to register companies. This problem has since been remedied by the introduction of the Closed Corporations Act.

Research indicates that most black business operators are either ignorant about the existence of the Closed Corporations Act or that they are not aware of the benefits associated with this new act. Only a handful of the respondents claimed to have registered Closed Corporations in recent months. The Closed Corporations Act sought to free smaller operators from the complex requirements of the Companies Act. But in general, Closed Corporations do not seem to have captured the imagination of many black entrepreneurs. It also appears that the aid of a "proprietary limited" tag appeals to the majority of blacks.

### **3.3.2 The Licensing Act, Provincial Ordinances and By-Laws**

These regulations and procedures are designed to determine trades and issuing of licenses. The procedures are fairly complex and lengthy, as they require applications for licensing to be referred to a host of government authorities who are not always located in a central office or area. These measures have been used to disqualify certain types of business activities that were deemed to be unsuitable for blacks. In essence, the regulations were used to curb possible competition from blacks. In addition, the measures were used to force blacks to locate their businesses in homeland areas, by simply informing them that this or that type of business activity is not permissible in a black urban area. The Urban Foundation study has identified several cases studies - some of these were mentioned in the foregoing analysis.

The Licensing Act has contributed towards the poor growth of a variety of businesses in black areas. But most significantly, the Act has been applied in such a manner as to discourage black participation outside the area of the small and informal business sector. This situation is largely responsible for having fostered a condition whereby prospective and existing black entrepreneurs seldom see exploitable opportunities outside traditional areas such as retailing and small manufacturing of products that have no export viability.

The fact that the Licensing Act is covertly used to curb competition from black enterprises vis-a-vis the primary private sector can be deduced from government authorities' attitude toward black participation in the retailing of liquor products as well as the provision of alternative public transport facilities. Research input reveals growing resentment within relevant segments of the black community, against

government protection of large mainstream private and public sector monopolies such as the PUTCO bus company and the now defunct Development Boards. The former company has been a target of both consumerist and political activists for some time. At the time of re-search fieldwork, PUTCO was faced with a near national consumer boycott that had the support of a cross section of political, community, and trade union interest or pressure groups. Although the boycott has since been settled, the source of the problem is unlikely to disappear for a long time to come.

Research data also indicate that a similar pattern of community reaction was used to dismantle Government-owned liquor retail outlets throughout most urban black residential areas. As with PUTCO, these retail and distribution points were viewed as monopolies which grew at the expense of black-owned businesses which were forced to operate illegally because they posed excessive competition for white businesses.

A third example of how black business interest groups are using broad yet community-based ways to circumvent legally protected competition is to be found in the mainstream of the South African retail industry. For the past ten years black interest groups have joined forces to stem the massive Christmas shopping of black customers by declaring boycott campaigns that are directed at white-owned businesses. This practice has, in part, benefited some of the strategically placed black traders in black residential areas. For years black traders have complained about restrictions that have excluded them from the lucrative city shopping environments. The issue has not been resolved through the promulgation of remedial legislation: it appears black communities have other means for coping with protected competition, namely, organized consumer boycott campaigns.

It should be borne in mind that black communities have stumbled upon an effective weapon to counter legislated protection of major corporations and monopolies without serious cost to the communities. This trend is bound to increase as more and more black communities and interest groups become increasingly politicized. The trend currently sweeping through labour unions operating in the retail and service industries points in the same direction. During the past eighteen months, major labour unions belonging to COSATU and NACTU (previously known as CUSA-AZACTU) have joined forces with members of the black community in boycotting major national retailers such as Pick 'n Pay and O K Bazaar. A similar coalition of forces was used recently during major union strikes and a consumer boycott against a major bus company known as PUTCO (Public Utility Transport Company, the South African Transport Services and a dairy product distribution company known as Clover. The current rent boycott campaign of over 54

black urban neighbourhoods continues to enjoy the combined support of organized labour unions, civic and political organizations and consumer groups.

The Licensing Act tends to curb the activities of small businesses that are seasonal or have limited life spans. For instance, the act requires that certain small businesses re-new their licenses annually. This penalizes the periodic operator whose license should be awarded on a pro-rata basis. Dewar argues that the license should be awarded for particular operating times and calculated pro-rata.

Another point raised by David Dewar deals with restrictions that the Act places upon specialization in small business activities. The example is that of hawking cooked food. In terms of the municipal health regulations, only people licensed to prepare food are licensed to sell it. Yet in low income areas, the sale of cooked food is always an important part of "informal" economies. Restricting this practice greatly reduces flexibility of operation as well as the establishment of small businesses. We are in agreement with experts who have called for "a simple procedure whereby licenses can be awarded and companies registered in one immediate process at low cost and with costs capable of disaggregation according to the period of operation."<sup>7</sup>

### **3.3.3 The Taxation Act (Amended)**

The National Manpower Commission report states that various tax allowances are available for small business undertakings e.g investment allowances and double deduction of training expenditure. The report states, however, that these allowances are of little value to struggling entrepreneurs who in any event make no profit. In addition, blacks were, until recently, subjected to a variety of taxation burdens that were primarily loaded against them. Relative to their low income levels, black South Africans were required to pay more taxes than their white counterparts (although whites are responsible for a substantial portion of the country's tax burden.) In terms of government homeland policies, blacks were required to contribute towards the development of these territories. The taxation structure has now been streamlined in order to remove racially prejudiced provisions within the Act. But in homeland areas a variety of tax regulations still remain.

The positive benefits of this Act in stimulating the creation and growth of small businesses has been questioned by knowledgeable experts. Very small operators require low taxes at flat rates, and their needs are best met if the form of taxation is indirect rather than direct. Consumer Behaviour research data indicate that a great deal of confusion and anxiety exists among black traders and other types of operators concerning compliance with taxation requirements in general. The majority

seem to lack basic knowledge of relevant taxation. Several first and second-hand instances were cited where black business operators have recently fallen foul of certain stipulations of the taxation act. But confusion seems to center about the provisions of the Taxation Act and those of the General Sales Tax (GST) system. Local Authority levies are also confused with the Act.

Research has also shown that new entrants into the informal sector of the market deliberately avoid compliance with certain regulations so as to avoid taxation. The shebeeners are a case in point. Several groups of shebeeners claim to have ignored the calls for licensing in order to avoid detection by Receiver of Revenue officials.

### **3.4 Regulations Affecting Access To Business Premises**

#### **3.4.1 Restrictions on Sub-Letting and Licensing Regulations**

These regulations restrict sub-letting of residential premises for commercial purposes as well as prohibiting of the practice of conducting economic activity within residential areas. A set of Health Regulations are added for the same purpose. However, recent developments appear to have brought about far-reaching concessions in this area. For instance, licensed shebeeners now can and do operate from residential dwellings. Regardless of the regulations, vast numbers of small businesses are currently being conducted from private homes. These include backyard auto-repair shops; sewing and knitting operations; cooked food and fresh vegetable vending, beauty and hair grooming, and many others.

Research data show that a substantial proportion of semi-formal and formal small businesses were initially run from private homes. These included certain retailing activities, shebeen trading, repairs, small manufacturing, food and vegetable vending, and so forth. Problems that limit access to premises for small business operators will continue to encourage determined entrepreneurs to experiment from the safety of their homes. At this stage, most prospective businesses are run by people who have little or no knowledge of formal regulations.

#### **3.4.2 The Factories Act and Building/Housing Regulations**

The National Manpower Commission report states that the Factories Act - together with the Shops and Offices Act of 1964 and other regulations - provide for working hours and conditions in factories, shops, and offices. The report notes that the "requirements in respect of factories are very strict and the concept [of] "factory" is so wide that a large portion of the small industry can be regarded as factories. For example, a site is not a factory unless less (sic) [more] than three per-

sons work on the site or unless any form of mechanical power is used." The report also cites a study conducted by the Post-Graduate management School at the University of Pretoria (1981) which states that the Factories Act is "generally shown [to be] one of the most handicapping Acts in the establishment, growth and development of especially the small business undertakings in the formal sector..."

The National Manpower Commission acknowledges that regulations that cater for erection of business and residential buildings contain stipulations that cannot be satisfactorily met by black operators of small business. Several laws and regulations are in force here, namely the Housing Act, the Act on national Building Regulations and the Building Standards Act, the Slums Act, Zoning Laws as well as various building standards and building regulations and ordinances of local authorities and provinces which have bearing on township development and health.

Dewar concludes that if these sets of measures were to be strictly adhered to, it is doubtful whether any small-scale ventures would ever see the light of day. These regulations place severe restrictions on people who wish to start enterprises in areas such as manufacturing. Under prevailing circumstances, it is almost inconceivable for most black small to medium manufacturers to raise sufficient capital for securing suitable premises.<sup>8</sup>

Respondents who participated in the Consumer Behaviour research program appear to be referring to the provisions of these regulations when they claim to have "stopped starting serious manufacturing because we could not find a big building to work from"; "our house was too small and not suitable for what we had in mind...so we gave up the idea"; and "it is very difficult to do anything creative and exciting in the places where we are forced to live."

Further, there were several criticisms concerning the selective application of the recent CBD deregulation procedure. Those who aspired to take their businesses out of black residential areas complained about the fact that "there are no premises which are reasonable to rent in the center of town." Therefore, the CBD concession was dismissed as a non-starter "because it is intended to keep us away from factory areas which are located near white factories." Once more, black respondents voiced the oft-repeated concern about Government designs that seek to stifle "blacks competing against white factories in areas which suit our pockets."

### **3.5 Regulations That Affect Marketing**

Most of the regulations already discussed have direct as well as indirect adverse effects upon the marketing of goods and services, especially for most black small businesses. For instance, manufacturing and wholesale distribution facilities are remote and difficult to access. Thus Acts such as Group Areas and Black Urban Areas have definite though indirect impact upon the marketing of black enterprises and their services or goods.

In addition, there are other regulations that inhibit smooth marketing of small business wares. These include regulations that prescribe hours for shops and factories; advertising and residential dwellings; and regulations that curb hawker activities.

Research input has illustrated some of the absurdities that deprive small black operators from running their businesses during those hours when bigger competitors are not open for business. For instance, many black traders complained about regulations that require them to stay closed while their captive market has no access to city stores as these are then closed. The regulation is based upon sound principles but its application thwarts black business operators' attempt to take advantage of certain market opportunities. In the words of a major black retailer "I don't see why I should not stay open for longer hours...my people are here in the township during the night and weekends...I should not have to close because the big supermarkets have to close...why can't we be allowed to stay open for as long as we like?"

Due to ignorance, most new black operators flout regulations that prohibit the display of advertising on residential dwellings. In most of the areas visited during the research fieldwork, residential dwellings bore ample evidence of homespun advertising handbills, billboards and other means of exposing products and services. Tent hire operators, driving school operators, backyard auto-repairers, fruit and vegetable vendors, burglar-proofing manufacturers, and photographers were among the most common advertisers.

Respondents also seemed to have taken advantage of unrest conditions: health and other authorities who enforce these myriads of regulations appear to have suspended their activities somewhat. In addition, a new breed of small or casual small business operators appear to have flooded the informal sector in response to one of the most devastating economic recessions of the late 20th century. These operators would do "everything to avoid having to attract the eye of the inspectors who will tell me to get a permit which will restrict my operation."

More enterprising hawkers tend to beat some of the regulations that restrict their businesses by setting up shop up where they know the business will benefit from maximum exposure e.g on a busy roadside or near a busy transport terminal. Thus, from these hawkers point of view, marketing does not become a serious problem.

### **3.6. Regulations That Affect Transport**

There are several regulations under this heading that create serious limitations for black small businesses. The National Manpower Commission report discloses that the Road transport Act is "one of the most important Acts which restrict access to private entrepreneurs." By and large, many small businesses are hamstrung by lack of suitable transport. Transport regulations also hamper the growth of the black taxi and bus business.

The majority of black business operators who took part in the Consumer Behaviour research program complained about several aspects of transport. Retailers and other traders claimed to have no access to reliable private transport "to fetch goods from town," "deliver customers' shopping to their homes", or "to sell from it." Those who have been in business longer also criticized what they saw as unnecessary red-tape which requires them "to use vans that are made especially for my kind of business [butchery]." While they seemed to accept the need to comply with health standards, some retailers argued that "transport can make or break your business because we all depend on it."

Smaller operators claimed to have started their businesses using public transport. However, the limitations of this mode of transport were said to have been too restricting. In addition, we should state that public transport as a business undertaking has become rather too politicized among black communities. Taxi operators and bus company executives complained of "too much apartheid in the business of transport." Transport and traffic authorities were accused of collusion against successful black providers of public transport. Most complained about unnecessary red-tape and frequent and time-wasting harassment tactics of various law enforcers including Traffic officers, Transport authorities, the South African Defense Force and the South African Police force.

In most black urban areas where there is enforcement of the State of Emergency and other restrictive regulations, black public transport operators claimed to have been among the most frequent victims of harassment. Harassment by the forces was said to have increased during the PUTCO boycott campaign. Such action was interpreted in

terms of "malicious retaliation for the business PUTCO is losing to black taxis."

Finally, Dewar's evaluation of the public transport sector leads him to recommend the abolition of the contradictions that abound in the licensing of black taxi operators. He also observes that unlicensed taxis tend to operate more freely, and perhaps, more efficiently than their licensed counterparts. The resolution of the problem, says Dewar, lies in the simplification of licensing procedures to facilitate competition and the survival of the most competent operators.<sup>9</sup>

### **3.7 Regulations Affecting Employment Of Staff By Black Entrepreneurs**

Earlier in the analysis of regulatory constraints, we mentioned some of the problems that have forced black traders to recruit staff from rural areas where they rely upon some form of kinship selection network. Most black business operators openly admit their inability to compete with white-owned companies. They cite factors such as urban black work-seekers' reluctance to accept employment from fellow blacks. Working for "a black man is considered debasing." Also black businesses are known to offer lower wage levels. Employment conditions are far from ideal.

The National Manpower Commission report notes that "the administrative and financial commitments in respect of employees place a large burden on especially small businessman (sic). Records have to be kept and contributions must be paid in respect of e.g. unemployment insurance, accident [insurance], in-service training schemes, Industrial Councils and transport contributions. Black employees have to be registered and it presents a special problem in respect of blacks who do not have rights in terms of Section 10(l)(a) or (b)."

Some of the specific regulations that are applicable here include the Minimum Wage Determinations. Although the intention is to guard against the exploitation of workers, the application of the regulations means that small and struggling businesses cannot afford to meet minimum wage levels. Most retailers claimed to "be really battling with large numbers of employees because there is no money to pay them." In other words, the application of the Minimum Wage regulation poses severe problems for smaller enterprises under current recessionary times. Some of them have already come under severe pressure or criticism from black labour unions. The most current case involves Maponya Supermarket Store, in Soweto, where CCAWUSA - one of the unions that operates in the catering and retail sector - and the store have gone into arbitration following a dispute over alleged low wages and unfair treatment of union members .

Respondents who participated in the study repeatedly argued for the repeal or suspension of regulations which, they claim, are forcing them out of business. The general feeling was that such regulations were ideally suited for large corporations with large work-forces.

Another set of regulations that affect small business employment opportunities stems from the regulations that restrict the employment of under-age children. By and large, this regulation is one of those measures that are automatically ignored. Many black operators claimed to know of ways through which under-age children may be given work without the former risking infringement of existing regulations. For instance, children may be invited to do light work as a means of keeping them off the streets.

Other respondents maintained that giving children light employment was the "best way to teach them how to run their own businesses when they grow up some day." Several enterprise owners claimed to have used this route to enter into their parent's businesses or start their own businesses. However, the majority of black business operators did not seem keen to condone what they termed "over-exploitation of young children by large employers such as newspaper companies and Indian shop owners." Respondents insisted that there was a big difference between their approach and those applied by large businesses. The latter were said to use young black children in conditions of "slavery where they are made to work like older people." Also the children concerned were said to be young urchins who have run away from parental control. Further, few of the children were said to be "apprenticing for their own trade later in life."

### **3.8 Concluding Note**

In concluding the section on regulatory constraints, we should specify that the foregoing analysis does not claim to have been either complete or exhaustive. The purpose was to illustrate a variety of existing legislative and other regulatory barriers that restrict new business initiatives as well as the maintenance of existing enterprises among the bulk of black enterprises. The analysis has tended to deal more with small black businesses within the retail trade largely because that is where black enterprising stands at this juncture.

Finally, we have not touched upon certain other regulatory impediments, protection and incentives largely due to the fact that the majority of black operators lack awareness of such issues. It was frequently observed during fieldwork that the vast majority of black business operators are fairly uninformed about the legalities of their businesses. Few appear to have entrusted all their legal affairs with either their lawyers, auditors and book-keepers, or insurance advisors.

Further, some of the more basic regulatory requirements seldom apply in the case of black businesses simply because the majority are locked into retailing where there is little or no need for knowledge nor application of laws that deal with such seemingly sophisticated transactions as registration of trademark or patent, import and export procedures, regional or geographic restrictions, and so forth. Only two or three individuals cited difficulties that occur in cross border business transactions between South Africa, neighboring states and homeland areas.

The foregoing analysis of the regulatory environment tends to create the impression that the primary area of focus, for the current study, lies in the small business and/or informal sectors of the black private sector. Bias in favour of the informal/small business sector has been introduced by the large body of reference material available. Since the late 1970s, a great deal of effort, time and money have been invested in investigations and analyses of opportunities in the small informal business sector. Wherever possible, attempts have been made to indicate that the current analysis does not confine itself to small business and informal sector enterprises.

Reliance upon published research material may also have added some bias against acknowledgment of credit in instances where recent changes have been effected to some of the regulatory mechanisms. Care has been taken to ensure that all available information has been taken into account. However, it is not always possible to be knowledgeable about changes that are constantly being made to existing regulations. The wheels of bureaucracy and state legislature tend to take time. Further, some of the regulatory adjustments occur at provincial, municipal, and Local Authority levels. Similar processes do take place at other levels such as police and health departments, township offices and homelands.

Finally, apartheid traditions have proved that new amendments to existing regulations seldom bring about immediate and meaningful changes to situations that have existed for years - even centuries. In an over-regulated society such as exists in South Africa, social conventions tend to take over where official regulatory approval has been withdrawn. This is much the case in the black private sector. Existing methods of effecting regulatory reform cannot remove the authority and powers that had, for generations, been the prerogative of armies of apartheid enforcement agents. Junior civil servants are known to exercise their discretionary powers and authority long after the relevant regulations have been effected. Besides the style of South African regulatory reform has been such that it seldom, if ever, introduces changes that may be termed moderately radical. Almost all recent attempts at reforming apartheid laws have tended to amount to naught because the reform process did not go far enough to introduce any

marked changes. Evidence of this can be gleaned from recent adjustments to the Black Urban Areas Consolidation Act, the Immorality Act, the Liquor Act, to name a few.

The prevailing State of Emergency has given carte blanche authority to custodians of apartheid to suspend liberal regulations in favour of the previous repressive measures. Even before State of Emergency measures were introduced into black areas, custodians of apartheid had been known to have devised their own "extra-legal" systems to cope with anarchy conditions that have prevailed for years in major black neighbourhoods of the PWV and the Eastern Cape. Homeland authorities had also introduced their brand of "extra-legal" measures.

## **4. SHORTAGE OF DEVELOPED SKILLS AND SUITABLE LABOUR**

### **4.1 Lack of Basic Know-How**

Available data indicate that the majority of black enterprises fail to operate smoothly and effectively due, in part, to lack of appropriate and basic know-how about their specific area of operation. This shortcoming has been reported in previously published studies by Hugh M Jagoe (1984),<sup>6</sup> National Manpower Commission (1983), S Magadime (1980), and Schutte (1974). The Consumer Behaviour study findings confirm the existence of the problem.

Lack of business know-how presents real difficulties particularly to entrepreneurs who are going into business for the first time and in areas where they have limited practical experience. This limitation must be viewed against the fact that most black entrepreneurs enter into new business venture without much formal training or sound academic grounding. First-hand business experience ranks rather high as a requirement among the majority of business people. The majority of business persons obtain practical experience on the job. Few claimed to have gained experience while working for bigger employers. To reiterate a point made earlier, most prospective black entrepreneurs seldom have the access to avenues for gathering relevant experience. In the main, those who claimed to have had first-hand experience in their line of business were not employed in management positions. More often than not, the claimed experience has little or no relevance to the business seeing it does not equip the new entrepreneurs with management skills.

The foregoing seems to apply more particularly to business persons who enter into non-traditional areas such as manufacturing and provision of services. In addition, some entrepreneurs claimed to have been exposed to business habits and procedures that have become antiquated through the introduction of newer business technology. For example, older entrepreneurs claim to experience serious problems with modern business requirements and technology such as computerized facilities, modern sales taxation, and so forth. Several entrepreneurs argue that the type and size of businesses that have previously been open to blacks, seldom required advanced education.

This observation is rather interesting and must be viewed against the history and evolution of black enterprise. Until very recently, blacks were allowed to conduct trading operations that did not require or encourage acquisition of superior academic qualifications or advanced training in business skills. Basic knowledge of management routines was fairly sufficient to keep the operation going. Most retailers argued

that effective management of traditional types of business such as retail outlets lies in a total hands-on i.e. "you must be present twenty four hours a day."

Relevant experience and basic business know-how were said to be essential especially in areas such as planning, pricing, sound management and resource controls, customer service, contact-building or networking. Another problem associated with lack of know-how and practical experience relates to dealings with suppliers on such critical issues as purchase planning, pricing and so forth. Most black retail outlets were said to be "loaded to the brim with goods that are so useless nobody would accept them even if you gave them away for free."

#### **4.2 Lack of Suitable Training**

The majority of black enterprises are owned and/or operated by men and women who have not been exposed to formal training in the line of business in which they are currently engaged. The Consumer Behaviour research study found that six out of ten (65%) business operators claimed to have had no formal training at the time of the formation of their enterprises. The non-training problem tends to increase once the business gets underway. Well over 70% of business owners interviewed claimed not to have sought formal training once they got into business. Similar statistics were reported in the other studies mentioned in the foregoing paragraphs.

The majority of existing business operators have handicaps that discourage them from seeking exposure to formal training. For instance, they are too old and functionally illiterate in business matters. In addition, lack of effective business management systems, and trained and trustworthy assistants mean that the owner of the business spends more time at his business than he normally should. In essence, an untrained business person tends to fall into the habit of handling most aspects of the business: he or she gets accustomed to flying by the seat of their pants. They develop routines that tie them to the business for more than ten hours per day. They also have personal, family and community responsibilities to attend to.

The foregoing appears to apply largely to small businesses, especially in the services sector e.g. retailers, small manufacturers, distribution agents, doctors, and so forth. In short, the owner of the business is the business - as one respondent said "if I don't come, the business does not run that day...so I can't afford to be sick or go on holiday." Reference data used in the analysis confirm the fact that some black business operators seldom take time off for normal holidays. Most operators tend to worry about stock theft and pilferage during their absence from the business.

But equally important, the vast majority of business operators suffer from attitudinal problems i.e where formal business training is called for. Most of the older entrepreneurs resent having to return to classroom situations. They also dislike being spoken down to by trainers who appear to be either too young or lacking business experience. Feelings about this point tend to be reasonably strong. For instance, a good trainer is "someone whom I know to have a good business background...not every young Tom, Dick and Harry will get me to part with my money for nothing." In other words, some of the businessmen and women are skeptical - as well as cautious - about being short-changed by less scrupulous "training sharks." Several claimed to have "come across many sharks in my line of business" - e.g insurance sales persons, fly-by-night bookkeepers, auditors, tax experts, and so forth.

There are businessmen and women who have serious reservations and anxieties about possibilities of not coping "well in a classroom full of all sorts of people." Some of the business persons expressed strong reservations about the prospect of attending training classes where younger persons were present. Similar reservations were voiced concerning the prospect of sharing training courses with whites or "people who speak English." Inability to communicate in or comprehend English is another major problem. Many older men and women said they would attend training sessions "if they spoke the languages we understand."

It should also be borne in mind that the majority of older and less literate businessmen are less amenable to going back to what they envisage as a classroom situation. Some people are apprehensive about "having to sit for examinations." In short, black businessmen and women tend to envisage training within the context of "a teacher who shouts at you because you are slow like some of us, they give you notes to write", "you must study for the test," and "you stay there for the whole day or a week." Female traders are said to find it easier to undergo training "because they do not have hang-ups such as we men have about sitting in front of a teacher again."

While they often complain about employees who are not trained, most business operators are less prepared to help their employees obtain training that is relevant to the business. The most common rationale centres about fear of losing trained employees to bigger and better-paying competitors - more particularly in big towns and cities. In the retail trade, one other source of fear centres about "training a person you cannot trust with your business." Some operators feel that better trained employees will be tempted to cheat or steal.

The splitting of functions and responsibilities tends to be used as partial remedy for poor training or lack of training. Several traders were said to enlist the services of members of their family, who are then used to "lighten the burden for me to do everything." This solution appears to have served the retail industry for some time.

Some of the management and skills training experts visited, repeatedly mentioned that it is rather commonplace for black business operators to absent themselves from training programs in spite of the fact that they have paid for everything long in advance. It was also often stated, by small business experts, that the majority of older black business operators "simply do not have the decency to let you know they will be late or they are not coming." Once more, it appears that some of the training experts fail to appreciate the business operators' reservations and anxieties about training.

The solution about the training problem appears to lie in the provision of smaller or personalized counselling forms of training. This should get around most of the problems viz., psychological barriers concerning exposure to large numbers of "people who speak English" or "very educated people who laugh at us." In essence, lesser educated business operators appear to be overly conscious of their limited academic status. It is understandable why older business operators fear having to expose their ignorance and inexperience in front of other people. Most of them seldom share business experiences - not even with their colleagues.

Several of the businesses that were visited during the dwork appeared to have been suffering from general neglect. There was general untidiness not only in the arrangement of the physical set-up but this extended to the disorderly appearance of staff members. However, this problem was seldom noticed among businesses where the owner was present and where the business appeared to be prosperous and well managed. However, some of the outlets had a neglected look largely due to emptier shelves: the result of unstable cash-flow, thin customer support and loss of shopping atmosphere or shopping buzz.

Needless to say the vast majority of black business operators and their employees require remedial as well as basic business managerial skills training and on-going management development and exposure. In addition, most are hampered in their businesses by lack of contacts and networking support. Existing training and other support organizations do not appear to have made much of an impact on the majority of the operators: they are generally skeptical about big organizations or sophisticated business training centers that cater for a variety of needs. Most are criticized for the fact that they cater largely for up-

market and educated people whose needs are far different from those of small business operators.

Before any invitations are sent out for educational and training courses, the providers of training materials should first ensure that they have won the confidence and acceptance of the business owner. To reiterate, most of the older generation of black traders resent having to "be taken back to the classroom like a child." Perhaps, these less literate traders could benefit from one-on-one counselling sessions.

### **4.3 Ignorance about Training Organizations**

Vast numbers of business operators are ignorant about existing training courses. Most believe that the sizes and types of their enterprises are not catered for by formal training institutions or agencies. A few organizations such as universities were mentioned. Others included programs that were offered by suppliers and manufacturers such as South African Breweries, Metro Cash & Carry, Lever Brothers, and major banks. Mention of existing training organizations was rather low.

When most business operators think of formal training they tend to think in terms of advanced courses such as are offered to persons who run large businesses. The illiterate business operators discounted the existence of training programs on the grounds that "they don't have books written in Zulu for blacks." Among informal sector operators the idea of formal training was much desired. However, the foregoing problems seem to discourage operators from attending.

### **4.4 Lack of Suitable External Support Services**

Available data indicate that several black business owners seldom see a need for external experts such as financial or business systems and service consultants. Over 50% of the businesses sampled in the Consumer Behaviour study claimed not to use formal book-keeping methods. Most prefer to do most of the chores that could be handled by a specialist. Figures quoted in Hugh Jagoe's study indicated that eight out every ten black entrepreneurs use proper sales records. But upwards of 50 per cent do not use ledger books, trial balances, income statements, and balance sheets. Jagoe's study states that 70 per cent of black entrepreneurs "believed that the profitability of their firms was adequate". In other words, if the business is profitable, there is no need for expert financial services.

The Consumer Behaviour study found a great deal of reluctance, among older and lesser educated operators, to admit that certain specialized areas are better left in the hands of outside specialists. Computation and transmission of General Sales Tax dues is a particular

case in point. By and large, small entrepreneurs resent having other parties "interfere" in their operations. By their very definition and nature, most entrepreneurs prefer to run things single-handedly. They tend to be rather over-confident about the value and breadth of their capabilities. Therefore, they despise "fly-by-night" business advisors. The latter are resented, in addition, due the fact most of them tend to be young, better educated, and are perceived to lack practical experience and good credentials as successful business operators.

A sizable proportion of businesses recognize and accept the need to use the services of auditors and accountants. H M Jagoe (1984) found that younger and more enlightened entrepreneurs were using or seeking external professional services. The situation is bound to improve markedly as more and more black enterprises are required to comply with various aspects of the Companies Act. The introduction of General Sales Tax has put many black operators into a tight spot: most do not know how to calculate this form of taxation. Many enterprises are currently being investigated by the relevant authorities.

Informal and/or unregistered businesses do not bother about formal specialist services such as processing and submission of various company tax returns, employment certificates, and so forth. A few who claimed to own and/or operate Closed Corporations fell in the category of enterprises whose tax statuses are unclear. However, owners of such corporations could be unwittingly guilty of certain legal stipulations under the relevant law. It is interesting to note that a smaller proportion of black business operators claim to seek business advice from sales representatives, business development officers and promotions officers from suppliers. In essence, this development clearly demonstrates the desperate position of black entrepreneurs. They do not have reliable channels for securing information that is relevant to their businesses.

A large number of entrepreneurs contacted through the Consumer Behaviour study openly admitted that they "work in the thick of darkness." Traders blame manufacturers for their reluctance to share information that may be crucial for black business survival. Some of the traders blamed this upon the fact that theirs are small operations. However, owners of larger enterprises were said to be in regular contact with suppliers. This class of operator claimed to receive tips and advice from large suppliers and manufacturers. The type of information that is considered vital centres about impending price increases, new developments and changes within the industry, new product introduction, and so forth.

Smaller black business operators simply do not form part of the inner circle of business contact and networking. They are often left uninformed about key issues yet their enterprises are most vulnerable to lack of information. Suppliers and manufacturers tend to work more closely with customers or clients whose enterprises are central to their own. But at the same time, the majority of smaller businesses especially in the informal sector - are in the hands of black operators. The latter fall victim to discrimination based on location and size of business and because of their colour. These operators readily admit to being "total outsiders in the field of business."

The issue of management service contracts was also raised during the research study. This development has created some serious problems for retailers and other types of businesses that are known to be operating through this form of arrangement. The problem with management service agreements, at this point, is that the majority of black people are unable to make an accurate distinction between this form of undertaking and "fronting" - especially where black and white parties are involved. A few medium-sized black enterprises have gone the route of management service agreements. However, most of them have been accused - and even penalized - on grounds of "fronting" for white interests. Thus, most black business owners are a little reticent about engaging the services of white management services experts.

Similar problems as are associated with management service agreements are associated with other forms of expert services such as black-white partnerships or franchising. Black business operators are now shying away from these arrangements. Several franchised businesses including those operating management services contracts - have come in for severe treatment from political and other community interest groups. Several of the businesses have been damaged or destroyed totally. This development is, in most instances, helping to cut blacks off from sources of business and expertise.

#### **4.5 Access to Professional Services And Marketing Support**

All of the research studies cited earlier in this section of the report indicate that knowledge of or possession of marketing skills and facilities is non-existent among black enterprises. Mogadime (1980) found that most of his sampled business owners experienced difficulties in reaching customers. Jagoe's survey results corroborated this finding. For instance, 75% of his sample claimed to manufacture goods per order. An insignificant number of manufacturers claimed to have conducted some form of consumer needs research. Another survey by Smith (1983) reported that many black entrepreneurs failed to understand their customers or their needs.

The Consumer Behaviour study found that new business is solicited through personal selling - mainly by the owner of the business. Black businesses have always depended upon good word of mouth for the generation of customer pull. Therefore, most have benefited from this powerful medium without ever realizing it. This has meant that customer relations and quality of service as well goods on offer are maintained at satisfactory levels. The problem with black business, especially in the service industry, is that most are too small and unsophisticated to be able to afford or understand the need for marketing. This finding applies primarily to small manufacturers.

Black enterprises have developed long standing notoriety for established through bad service and high pricing levels: this reputation has lost them lucrative support from black customers.

In retailing, most traders claimed to indulge in some form of sales promotion campaigns. Essentially, the types of promotions that traders claimed to execute tend to be sponsored, partially or in full, by manufacturers or suppliers through sales representatives. General dealers, shebeeners and liquor retailers dominated this group. This trend also applies in areas where the businesses are part of a large or mixed race partnership, group buying or franchise organization.

Other professional support services such as legal advice tend to be brought in only when serious problems have arisen. Professional marketing and research specialists are generally unknown in this sector. Many business owners associated such services with large and white owned companies. To reiterate, the actual services of marketing specialists remained unknown. Thus, many black enterprises have not contemplated approaching this type of expert because they are ignorant about his or her role in his business. Entrepreneurs who went into business during the last few years or months seem to expect support services from their financing agencies. Most insisted that such services were included in the loan and service contract.

## **5. FINANCIAL CONSTRAINTS**

### **5.1 Lack of Finance and Suitable Prospective Entrepreneurs**

Among black entrepreneurs, lack of sufficient finance ranks as one of the most serious handicaps either for beginners or for established enterprises seeking to effect expansion program on existing businesses or premises. Most data sources consulted have identified lack of finance as the primary stumbling block for most prospective and beginner black entrepreneurs. Professor Schutte's study (1974) found that between 85% and 90% of all black businesses were "too ineffectively small". In the same study 94% of the respondents had had no finance at the time of their going into business. Reasons for lack of start-up finance centred about lack of a sound accumulated cash or collateral.

The Consumer Behaviour study program has also come up with similar findings. But this survey has established that since the mid-1970s, the situation seems to have improved substantially. We surmise that the entry of the SBDC as well as Small Business Units operated by major financial institutions are responsible for this change. A somewhat different breed of entrepreneurs started entering into the black private sector about the same time that these small business development units were established. Prior to 1976, an overwhelming majority of black enterprises were financed from the entrepreneur's own resources. Thus, people who came from less well off family backgrounds were instantly disqualified from opening retail or other service outlets that blacks were then entitled to operate. Although this situation shows some improvement, the majority of black entrepreneurs continue to fund new ventures from their own pockets.

Mogadime (1980), Jagoe (1984), and Schutte (1974) have, respectively, shown that most blacks raised their start-up finance in the manner discussed above. Jagoe also found that a small number of business operators claimed to have borrowed over 90 per cent of their start-up finance from informal money lenders - commonly referred to as "loan sharks". The informal money lenders or "loan sharks" appear to be catering primarily for the informal sector. However, small business development specialists and advisors, who are familiar with the black business constraints, argued that lack of access to sources of finance are more problematic than total lack of finance. These specialists maintain that existing commercial and non-commercial business development agencies have sufficient funds to finance all the needs of the black small business sector. In essence, it seems we are confronted here with a matter of semantics: simply stated, blacks do not have suffi-

cient funds to start new ventures. This point has repeatedly been made by a variety of research reports.

Interviews conducted among black business development agency personnel have consistently established the fact that commercial and non-commercial financing sources experience difficulties in "finding suitable and reliable candidates to lend money to." In other words, most of prospective entrepreneurs fail to raise finance because they fail to meet the requirements during the screening process. Commercial banks were severely criticized for harbouring a long history of distrust for prospective black entrepreneurs. They "are only interested in whether the man is a good or bad risk."

All three studies conducted during the 1960s have unanimously uncovered a slight shift in previous black business attitudes and thinking towards partnerships. Jagoe found that business partnerships (30%) had played a significant role in the formation of new enterprises. This avenue appears to have eased, partially, the problem of securing start-up finance for businesses that would otherwise not have been granted loans by commercial institutions. Most of the partnerships involved family members, friends or members of informal voluntary saving schemes. Each participant is required to make some cash contribution into the start-up fund.

Overall, partnerships appear to have limited appeal among the majority of blacks who end up running their own businesses. The types of partnerships that were reported by Hugh Jagoe tended to involve close family members rather than outsiders. Lack of trust and fear of being defrauded by the partner remain high in the minds of many black operators. Suffice it to state that partnerships have yet to make their mark in the black business community. A Shapero wrote, in *Psychology Today* (1975) that partnerships are the most readily acceptable method for raising finance. This observation is supported by some of the recent business developments in the Pretoria-Witwatersrand-Vaal area: several small to medium-sized businesses were formed out of informal syndicated partnerships. Some of the syndications have evolved into strong regional or national businesses, e.g. the Great North Burial Society, Mzamo-Moleko chain of liquor retail outlets, and the National Taverners' Association Limited. The South African Bus and Taxi Association appears to be adopting similar syndicated or group partnerships among its members. Jagoe also reports that some black businesses in his sample had raised finance through hire purchase loans.

The prevailing view among executives of financial institutions seems to be that the provision of massive funding for high risk black business development should be handled through channels that are not geared

to make maximum profit out of the exercise. Thus, private and public sector sources are considered to be most suitable for provision of cheap but high risk developmental funding.

The foregoing argument tends to ignore the fact that blacks are less amenable to accepting funding from sources that are closely associated with the existing South African government. This is substantiated by consistently negative attitudes that blacks display towards the Small Business Development Corporation. Even joint ventures between public and private sectors are not entirely immune from this type of criticism. Black attitudes towards the Urban Foundation are a case in point. Briefly stated, the Urban Foundation is viewed as being partially funded by government or, as one black leader said, "they do the dirty work for the government."

There exists a situation where certain categories of prospective black businessmen and women would like to avail themselves of cheaper funding with long repayment contracts. These are mainly small and informal sector operators who have become accustomed to handouts and/or low cost loans from philanthropic sources such as corporate social responsibility programs. For instance, companies such as IBM (South Africa Project Fund) and Citibank have recently made cash donations that required little or no repayment from the borrower. IBM's assistance to the Soweto Black Builders' Association is a particular case in point. However, among small formal sector business operators, there was readiness to acquire funding from commercial institutions that have no overt or covert relationships with the South African government. In addition, they would not like to negotiate for and/or readily accept funds from companies that are suspected of harbouring ulterior motives such as superficial social responsibility to improve tainted corporate image or corporate conscience.

## **5.2 Non-Availability of Finance and Screening Procedures**

Loan application and screening procedures were blamed for the high failure rate among applicants. To reiterate, commercial and other lending agencies were said to be guided more by an "obsession with race and colour discrimination" and the extent to which the borrower is considered a "high" or "low" risk. The vast majority of blacks who approach financing houses or agencies fall in the former category.

In essence, commercial institutions were generally associated with race-inspired discriminatory practices. Thus, they were accused of devising screening procedures that have built-in racial variances or catches. For instance, some commercial finance houses were said to seek personal information that borders on tribalism and racism: "in this day and age they still had the nerve to ask me for my homeland chief

despite the fact that I clearly stated that I was born and bred here in the city." Another entrepreneur complained about being required to "produce documentary evidence to prove that I am the owner of my own business even though the shop was in my name and I had been banking with that bank for many years."

By and large, black business operators also complained about the application of different sets of rules for different races and different classes of customers. For instance, certain named commercial lending institutions were alleged to have asked loan applicants to provide information about their tribal affiliations or place(s) of origin in country areas. This seems to stem from the fact that most blacks tend to identify with two types of abode: on the one hand, there is the immediate city residence, and on the other, one's place of origin i.e. where one's parents had originally come from. Such details apply almost exclusively to blacks. Thus, some resent being requested to provide such information as such requests amount to nothing more than personal intrusion and downright tribalism.

Other types of informational requests include questions about whether the loan applicant has more than one spouse or whether the applicant has extra-marital relationships and/or dependents from such relationships. In essence, blacks are sensitive to informational requests that tend to arise from traditional or customary practices that are peculiar to the black community. They resent being singled out as a tribe: this is viewed as racial discrimination. In addition, there are strong suspicions that white bank managers are less prepared to accept a black loan applicant's information or evidence as readily as they will their white counterparts'.

In short, where black borrowers are concerned, banks are said to adopt attitudes and approaches that are excessively thorough and unsympathetic. The problem here appears to centre about black perceptions and expectations concerning the extent to which bank officials are likely to go in exercising their discretion as to whether to grant or reject an application. The problem also stems from lack of familiarity between black and white South Africans. Consequently, black in such situations tend to feel they are at the personal mercy of an individual who, in this instance, is likely to apply racially prejudiced and stereotyped actions. In short, when dealing with unfamiliar whites, blacks tend to over-anticipate racial discrimination.

Loan screening procedures such as in-person interviews generate a great deal of anxiety and resentment. Some loan applicants complain about bank officials who are (mis)interpreted rather negatively by applicants. It must be borne in mind that the entire area of personal detail is often associated with personal bad experiences such as divorces or

police records. Broadly speaking, many blacks have had some kind of brush with the country's law enforcement agencies. These tend to leave an indelible mark on the record of the victim. Loan application interview situations seldom respect these sensitivities.

### **5.3 Ignorance of Procedural Technicalities**

A rather large proportion of newly established business operators openly admitted to being "totally uninformed about right ways of going about applying for finance from the right places." Older respondents mainly semi-literate and illiterate traders - said their poor academic status tended to disqualify them from securing sufficient funding for their businesses. They also stated that their personal habits, conduct, and appearance often gave bank officials an inaccurate impression about their business know-how and financial soundness.

The less literate respondents also stated that their poor academic backgrounds were a liability in so far as they tended to cut them off from developing useful networking systems with sophisticated "people who have influence at the bank." This class of business operator also complained about the fact that younger and better educated "upstarts" in business have been able to raise more money than I could all my life." Yet the young "upstarts" were said to be running businesses that were no more profitable than those being run by older operators. In short, younger but more literate businessmen were said to have found ways to gain acceptance easily: they were said to know or have "friends who know someone at the bank."

Some of the older respondents complained about the language used on loan application forms and during screening interviews by some bank officials. Respondents stated that this is done in order to intimidate the applicant. It should be stated that issues relating to loan applications and money, in general, are fraught with mis-perceptions, misinformation, and hasty judgmental response from both sides: the bank official, on the one hand and on the other, the black loan applicant.

### **5.4 Lack of Suitable Collateral**

The Consumer Behaviour research study has revealed that black loan applicants tend to be rather resentful about transactions where they know themselves to be vulnerable and/or most likely to be disqualified. By and large, the majority of prospective entrepreneurs lack sufficient and/or satisfactory collateral to guarantee loans. The 1974 NAFCOC study of the black retailing sector reported that 94% of black entrepreneurs failed to raise finance from commercial institutions due to lack of suitable security. The Consumer Behaviour research study

found that over 80% of black enterprises could not get started properly due to lack of sufficient security for guaranteeing loan applications. More specifically, 51.4% of those who claimed to have started their businesses more recently claimed that lack of security was responsible for a sluggish business start.

Most blacks argued that while they lacked satisfactory collateral, the true cause of the problem stems from the country's political system which is directly blamed for having deprived blacks of avenues for generating immovable property - the type of collateral most preferred by commercial lenders. Other defensive arguments centred about the fact that black wages were so low that the prospective entrepreneur has little chance of accumulating sufficient cash from monthly wages. As we have seen, most small operators have tended to use personal savings and family resources to get their businesses started.

To reiterate, most business operators stated that 99 year leasehold bonds are not always sufficient "guarantee to raise a good loan." Some financial institutions were said to reject life policies - especially if these are of low value or if they have been ceded for other purposes. Commercial lenders' reluctance to accept black leasehold as collateral stems from doubts about the legality of the current form of leasehold.

Commercial lenders were said to be ready to accept life insurance policies as collateral. However, this is said to depend largely upon the size of loan being negotiated as well as the nature and size of business venture to be financed. Overall, blacks seem to believe that stringent requirements of collateral - more particularly immovable property and large cash investments - are often deliberately used, by banks to disqualify them unfairly. Finally, Small Business Development units, belonging to major commercial firms, were perceived to be less prepared to use discretion or to legitimately bend the rules in order to approve black loan applications. Many prospective black loan applicants appear to be looking for leniency. However, many do not expect banks to treat them as a special case. "We just want fairness, that's all," they said.

### **5.5 Costly Finance**

Respondents have also stated that commercial finance loans are not cheap. They are said to charge rather high interest rates while the repayment periods are said to be very short. In addition, finance houses were alleged to add other charges that render such loans less attractive to people who otherwise prefer low interest loans that run for reasonably long durations. This point came largely from business persons who appear not to have a good grasp of loan applications and similar financial transactions. It appears that some of the arguments

here were based upon negative experiences that were acquired through dealing with insurance companies and hire purchase firms. These types of operations are known to over-charge or load services meant for blacks largely because of the high risk factor. It is conceivable that perceived high loan rates are seen in similar light.

Black entrepreneurs complained that "we are always made to pay more just because we are black." Whites with better networking systems were said to know of ways for obtaining cheaper financing. Several black entrepreneurs mentioned that some less scrupulous "whites are conning our people with those advertisements that appear in the Sowetan...they promise easy terms and all that but they don't want to give such help to their own people." A few individuals claimed to have approached this group of "easy money lending" outfits.

Once more, it appears that the issue of "costly finance" is surrounded by a great deal of mis-perception and ignorance. Most of the business persons did not appear to understand sophisticated financial transactions. However, some of their criticisms were backed by white specialists who are attached to small business development units. The latter accused banks and other finance houses of taking unfair advantage of black people's ignorance. It was generally stated that bigger finance firms can afford to offer black applicants easier terms than they currently receive.

### **5.6 Black Capital Base and Access to Credit**

It has been generally accepted that the majority of black businesses Hugh Jagoe's study cites some interesting data about black access to and utilization of working capital. He states that 79% of "short-term loans used by black manufacturers had been financed from within the black community (59% from personal savings, 8% from family, 8% from friends and 4% from business partners)." Some of these short-term loans were obtained from sources such as the Small Business Development Corporation. Michael Smuts, an executive of the SBDC, reported that in 1983 the SBDC provided 17% of short-term needs of blacks or small entrepreneurs. As with start-up finance, the majority of black manufacturers (70%) mentioned lack of working capital as a primary source of hardships for the business. Some white specialists on the subject have criticized black entrepreneurs, on this score, for lack of proper resource management skills.

In the Consumer Behaviour study, most business operators readily admitted that most of their day-to-day problems flow from poor management or mismanagement of cash-flow. Most criticized black businesses, in general, for practicing what was termed a "till-to-mouth" style of financial management. This criticism does not seem to be un-

duly harsh seeing that some of the business owners have already admitted that their enterprises produce sufficient profit not to warrant purchase or hire of professional financial expertise.

To reiterate, lack of a healthy working capital base was also blamed for failure to secure decent credit facilities from suppliers. The situation in most black businesses was said to be at its worst ever due to recessionary factors. Respondents stated that their businesses were far more vulnerable to prevailing recessionary pressure largely because their customer base tends to be equally exposed to high unemployment. Consequently, the majority of black traders, small manufacturers and so forth, were said to be hard pressed by severe cash-flow problems.

The percentage of businesses that cannot afford to negotiate credit facilities appears to have remained static over the past decade or so. Schutte's study [sponsored by NAFCO] quoted a figure of about 60% of retailers who said they did not operate credit facilities. Available library data confirms a similar trend in the 1980s. The four year old economic disaster has wiped out most black business erators' meagre capital base. Consumer Behaviour survey informants remarked about "the way things are now even the bigger guys suffer like us...there are a few big traders whose supplies have been suspended because they lost their credit ratings."

The current study of the black private sector has found that most retail outlets claimed to be operating largely on COD purchase systems. Incidents of suppliers withdrawing credit facilities were said to be increasing rapidly. Some suppliers were said to have stopped doing business with enterprises that find it difficult to operate on COD bases. The latter were said to have resorted to purchasing their supplies from large supermarkets and hypermarkets. Consequently, the black store owners were forced to charge more for merchandise than their customers are used to paying at city outlets.

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## **CHAPTER III**

### **BLACK BUSINESS AND THE AGRICULTURAL SECTOR**

#### **1. INTRODUCTION**

#### **2. THE SOUTHERN AFRICAN AGRICULTURAL ENVIRONMENT**

#### **3. AGRICULTURE AND THE TOTAL ECONOMY**

#### **4. SECTORAL DIVISION OF AGRICULTURE PRODUCTION**

#### **5. TRENDS IN AGRICULTURE AND FOOD PRODUCTION**

#### **6. AGRICULTURAL PRODUCTION POTENTIAL**

#### **5. STRATEGIES FOR FUTURE AGRICULTURAL PRODUCTION**

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#### **9. COMMENT ON SUGGESTED AGENDA FOR AGRICULTURE**

## 1. INTRODUCTION

The detailed assessment of the black private sector (Volume II: History and Evolution) concludes that while black commercial farming reached its peak about 1896, by 1986 not a single black commercial farmer could be found in South Africa. The Development Bank of Southern Africa (DBSA) has recently published a detailed study into the current position of black farming. DBSA reaches a similar conclusion. The May issue of the DBSA's publication - Development Southern Africa, Vol 4, No 2 (May) 1987<sup>1</sup> - states that black farming cannot be classified as commercial farming. The publication goes on to prove that blacks are engaged in subsistence farming whose contribution to the national agricultural economy is negligible. It should be borne in mind that the DBSA is one of the staunch supporters of the South African policies - in fact, it helps to implement the government's homeland policies. Therefore, its approach toward the role and position of black subsistence farming attempts to paint a more than positive picture of agricultural activities homeland.

The following analysis of the future role of blacks in agri-business in the southern African region has been condensed from editorial comments and a paper published in the aforementioned journal of the Development Bank of Southern Africa.<sup>2</sup>

## 2. THE SOUTHERN AFRICA AGRICULTURAL ENVIRONMENT

In 1985 South Africa's commercial agriculture occupied 87,8 million hectares - 14% of which was cultivated - and employed 1,1 million workers who produced R9 600 per person employed or R1 000 per cultivated hectare. This sector generates about 6% of the gross domestic product and employs 15,4% of the work force to supply food for South African consumers at a cost of 23% of their disposable income - the sixth cheapest food supply among industrial nations. In normal years South African agricultural exports pay for approximately 20% of all imports.

Subsistence agriculture in black rural areas or reserves (homelands) occupied 15,1 million hectares, 14% of which was cultivated, employed 1,1 million who produced R65 per person and R34 per hectare. Although 14% of the total resources and some 16% of the arable land occur in these areas, only 6% of the gross value of agricultural production is produced there. A very small proportion of black subsistence farming reaches commercial markets. It has been estimated that traditional agriculture realizes only about a third of the potential production.

The traditional agricultural sector is predominantly subsistence based and is carried out by individual families on small farms of 1 to 5 hectares, using virtually no hired labour and relatively low levels of material inputs. While this sector continues to play a relatively important role in terms of employment and residential base - its direct contribution to production has declined in relative terms and even absolutely in some cases.

Factors responsible for the decline of black subsistence agriculture have been detailed in **Volume II: History and Evolution of the black private sector in South Africa**. Development Southern Africa cites recent research data to confirm that the decline in black involvement in subsistence farming has not been arrested since it was initiated several centuries ago. The research data indicate that farm household members enter the labour market not because the marginal returns to labour on the farm fall below the prevailing wage rate, but rather because some household members have a comparative advantage in wage employment compared to reduced farm productivity per hectare and per farm worker. Reduced productivity implies declining profitability which is caused by an increase in returns to off-farm employment, rather than decreasing marginal productivity of labour on the land.

The most devastating evidence is probably found in Lesotho where the substantial rise in wage earnings (mainly on South African mines) in the mid 1970s resulted in a decline in the proportion of household income contributed by agriculture from 41 per cent in 1967 - 1969 to 18 per cent in 1976. Not only was labour diverted from farming to wage employment, but labour time spent in farming by those remaining at home was reduced.

The productivity gap between subsistence and commercial agriculture has been widening consistently while, at the same time, the African population has increased at a high rate of 3,1% year. There has, for instance, been virtually no change in the volume of cereal production in the subsistence sector from 1918 to 1975, while the de facto population grew by 230%. Consequently, African rural areas became increasingly dependent on food produced on white-owned commercial farms. The process of decline in the cereal production/requirements ratio accelerated in the 1950s until a static balance was reached and at least temporarily maintained between rising population and output in the period 1960-1977. The ratio steadied at 30% and output at 0,5 bags per person, or 25% of what it was a century earlier.

## 2. AGRICULTURE AND THE TOTAL ECONOMY

The following table presents the position of the agricultural sector in the southern African region including the neighbouring states.

**Table 1: The southern African Agricultural Sector 1980-1982**

Countries	Total GDP** (R mil)	Agriculture's contribution to GDP (%)	Agri-expenditure by Govt (of budget)	Economically active population in agriculture (%)
S Africa	75 670,00	7,0	2,3	30
[KwaZulu	425,7	27,5	6,2	10
Qwaqwa	29,6	5,7	1,8	3
Lebowa	221,7	29,4	9,5	20
Gazankulu	62,3	25,0	12,8	21
KaNgwane	46,1	17,0	12,3	24
KwaNdebele				8
Transkel	12,7	23,2		76
Bophuthatswana	724,9	3,9		47
Venda	60,8	18,9		85
Ciskei]	131,9	8,3		8
Angola	2 550,0	48,0		59
Botswana	307,5	21,0		83
Lesotho	240,0	31,0		87
Malawi	1 065,0	43,0	10,2	86
Mozambique	2 170,0	44,0		86
Swaziland	290,0	13,0		73
Zambia	2 572,5	8,0	23,0	67
Zimbabwe	4 507,5	18,0		60

\* Not available

\*\* 1980/81:US\$ = R0,75

Source: Low, 1986; Malan, 1983a; 1983b; Van Rooyen, 1985.

The agriculture sector largely dominates the economic structure of the southern African region. With the exception of South Africa, all countries in the subcontinent earn at least twenty per cent of their gross domestic product (GDP) from agriculture, with some countries earning more than 40 per cent. With the exception of Zambia, agricultural expenditure by government is relatively low (13% or less of the total budget).

Agriculture is also an important supplier of raw materials to secondary industry. In South Africa, more than 25% of all industrial concerns obtain their most important raw materials from agriculture. These linkages created employment for approximately 30% of employees in the ser-

vice and manufacturing sectors of the economy. Agriculture rates among the activities with the highest income/capital and labour/capital multipliers. An interesting aspect of agriculture's position in the economy refers to the terms of trade shifting against the farmer towards the urban dweller. Whereas a typical Zambian farmer was in 1977 only able to buy a food basket of approximately two-thirds the size that he could purchase in 1964, urban dwellers' purchasing ability during this period increased by two-thirds.

#### 4. SECTORAL DIVISION OF AGRICULTURAL PRODUCTION

The tables that follow present data on the gross value of agricultural production for the different commodity groups in South Africa (including homelands or reserves). A most significant feature of the data is the dominating position of South African commercial agriculture within the southern Africa region. South Africa produces almost 70% of agricultural crops as well as 70% of staple food crops.

**Table 2: Gross Value of Agricultural Production (1979/80)**

	Field crop production		Horticultural production		Livestock production	
	R'000	(%)	R'000	(%)	R'000	(%)
S A (commercial)	2 648 963	(49)	849 383	(16)	1 886 397	(35)
[Transkei	52 000	(44)	7 800	(7)	58 200	(49)
Bophuthatswana	131	(34)	4 429	(16)	13 721	(50)
Venda	1 805	(26)	1 665	(24)	3 543	(50)
Ciskei	830	(11)	2 085	(28)	4 430	(61)
KwaZulu	37 052	(34)	31 472	(28)	40 665	(38)
Qwaqwa	116	(10)	722	(46)	325	(28)
Gazankulu	3 442	(32)	2 212	(21)	5 132	(47)
KaNdwane	1 862	(40)	1 040	(22)	1 800	(38)
KwaNdebele	124	(7)	1 020	(56)	649	(37)

Total 2 767 600 (48) 906 300 (16) 2 028 400 (36)

\* Percentage contribution within a country.

Source: Malan, 1983a; 1983b; Van Rooyen, 1985.

**Table 3: Selected Agricultural Commodities 1980 (1 000 tons)**

Country	Staple	Other	Vegetables	Cash	All Products	
	food	crops	and fruit	crops		
	%	%	%	%		
S Africa	12470 (69)	773 (4)	4 563 (25)	197 (2)	18 003	642
Angola	400 (28)	262 (19)	655 (46)	96 (7)	1 413	209
Botswana	44 (59)		25 (33)	3 (8)	75	92
Lesotho	210 (86)	15 (6)	20 (8)		245	183
Malawi	1271 (66)	177 (9)	421 (22)	54 (3)	1922	322
Mozambique	478 (41)	105 (9)	495 (42)	94 (8)	1 172	112
Swaziland	103 (34)	18 (6)	147 (49)	31 (11)	299	547
Zambia	905 (72)	46 (4)	283 (23)	15 (1)	1 249	214
Zimbabwe	2 038 (79)	22 (1)	216 (80)	301(13)	2 57	350

\* Percentage contribution within a country.

Source: Malan, 1983a; 1983b; Van Rooyen, 1985.

**Table 4: Livestock numbers in Southern Africa 1980 ('000s)**

Country	Cattle	Sheep	Goats
S Africa	6 031	34 034	4 252
[Transkei	1 572	2 075	1 390
Bophuthatswana	603	194	425
Venda	146	5	46
Ciskei	185	250	227
KwaZulu	1 357	147	565
Qwaqwa	14	2	11
Lebowa	535	97	485
Gazankulu	200	3	77
KaNdwane	86	1	22
KwaNdebele]	86	2	20
Angola	3 120	225	935
Botswana	2 911	638	1 250
Lesotho	600	1 100	800
Malawi	823	75	630
Mozambique	1 399	106	335
Swaziland	660	34	270
Zambia	2 151	49	270
Zimbabwe	5 000	590	1 350

\* SWA/Namibia included

Source: Van Rooyen (1985)

Only Zimbabwe approximates the cattle number of South Africa, while the rest of the region has 86% of the sheep and 32% of the goats. Turnover in livestock inventory is much higher in South Africa than in other areas within the region - indicating a more market-oriented approach. Actual output of animal production is also much lower than the potential output in all these areas, excluding South Africa.

Comparisons of the value composition of agricultural production yield some interesting points. Field crops contribute 49% of South Africa's gross production value, and livestock production 35%. The remaining 16% consists mostly of horticultural products. [For South Africa's homeland areas the figures are almost reversed - 37% from field crops and 46% from livestock production.

## 5. TRENDS IN AGRICULTURAL AND FOOD PRODUCTION

The production performances of the South African agricultural sector indicate substantial growth in production during the seventies. However, the past five years of drought must obviously have affected food production. Throughout the country, the impact of the drought has clearly been mediated by the abilities of different sectors to recover from it.

**Table 5: South Africa's Agricultural and Food Production Trends 1980**

	<b>Agricultural production</b>	<b>Agricultural production per capita</b>
	<b>1970-79 (%)</b>	<b>1969/71-1977/79 (%)</b>
South Africa	2,8	1,0
[KwaZulu	6,2	1,3
Qwaqwa	12,9	6,7
Lebowa	10,6	5,6
Gazankulu	11,7	4,8
KaNgwane	12,6	2,4
KwaNdebele	12,6	2,4
Transkei	6,3	2,3
Bophuthatswana	8,4	2,9
Venda	8,1	5,5
Ciskei]	1,1	1,2
Angola	10,2	21,0
Botswana	8,5	1,1
Lesotho	1,8	0,1
Malawi	4,1	0,3

Mozambique	1,8	3,1
Swaziland	3,7	1,2
Zambia	2,3	
Zimbabwe	0,5	0,7

\* S African homelands included

In the developed white agricultural sector, the effects are measured in terms of decreased production and exports, a massive agricultural debt and substantial state subsidization. In the less developed rural areas of the country the drought has crippled an already limited subsistence economy, and curtailed what commercial production exists, resulting in crisis conditions which seriously threaten the survival of many communities.

The South African agricultural output statistics should, however, be treated with caution as extremely low levels of production were recorded during the sixties with substantial capital investment in the form of agricultural projects in the seventies. It should also be mentioned that increasing population pressure, and the systems of land tenure and migrancy, with their attendant problems, have resulted in a decline in rural consumption derived from farm production. In Transkei, for example, 41% of rural consumption was derived from farm production in 1955. By 1979 this had declined to 16%. Subsistence farming is consequently often viewed as a "top-up" between the securing of migrant labour contracts and other sources of income.

Whereas agricultural performance for almost all of Southern Africa could be described as that of near stagnation, the short-run impact of the devastating drought since 1981 amounted to crisis proportions. Only Malawi and Angola succeeded in increasing their food production during this period, while serious declines were recorded for South Africa, Tanzania, Zambia and Zimbabwe (see Table 6). The seriousness of the food situation is also apparent in the almost 77 per cent decrease in Bophuthatswana's maize production between 1981 and 1983.

**Table 6: Indices of Agricultural and Food Production 1969-71**

Country	1981	Total agricultural production			Per capita food production		
		1982	Trend		1981	1982	Trend
South Africa	153	135	-	122	103	-	
Angola	56	60	+	67	70	+	
Malawi	148	159	+	98	102	+	
Mozambique	91	93	+	72	72	0	
Tanzania	123	120	-	96	88	-	

Country	Total agricultural production Per capita food production					
	1981	1982	Trend	1981	1982	Trend
Zambia	128	120	-	92	83	-
Zimbabwe	141	133	-	95	82	-

Source: Malan (1983b)

## 6. AGRICULTURAL PRODUCTION POTENTIAL

As to southern Africa's food production potential, natural and physical factors have to be related to population growth and various other factors such as managerial capacity and technology levels. In a recent research project undertaken by the FAO, the International Institute for Applied Systems Analysis (IIASA) and the United Nations Fund for Population Activities, three possible scenarios were analyzed. The one scenario revolved about a modern and high technology agriculture which suggested that, by the year 2000, all countries in the southern African region could produce adequate food supplies.

The second scenario dealt with an applied low-level technology (limited use of improved crop systems, fertilizers and pesticides, while ploughing is mainly with draught animals, emphasizing small-farmer development). This option suggested that seven African countries, including Lesotho, will have to produce shortages by the turn of the century. The third scenario centred about traditional low-level technology (traditional crops, no fertilizer and pesticides and only hand cultivation). This option suggested that an additional ten African countries will produce shortages, inter alia Zimbabwe, Malawi and Tanzania.

For southern African countries to feed their populations adequately, they will need to adopt a stratified agricultural development approach i.e. based on a compromise between the applied and traditional technology scenarios just discussed. Small-farmer support and food production programs will have to be supplemented by modern commercialized agricultural production efforts as well as by international food aid programs. In the case of the latter two programs, the South African commercial agricultural sector can play an important and significant role in the regional context by supplying managerial, technical and financial assistance for agricultural development as well as food aid where so required.

## **7. STRATEGIES FOR FUTURE AGRICULTURAL PRODUCTION**

Agricultural policies with regard to future food production in the subsistence sector will have to take the following factors into consideration.

7.1 short-term measures aimed at stimulating productivity and output such as:

- (a) credit for the purchase of inputs,
- (b) a marketing infrastructure (especially for livestock and perishables), and
- (c) extension services;

7.2 long-term policies for the creation of full-time, commercial farming aimed at producing a surplus. This would require the removal of some families from the land but might encourage males who would ordinarily migrate to remain in agriculture, thereby ensuring that food production would no longer rest on the efforts of females and children.

7.3 Basic to these policies are aspects relating to opening access for small farmers in developing areas by means of comprehensive farmer support programs, acquirement, entitlement and the restructuring of agriculture in terms of issues such as institutional agri-support, access to resources, comparative cost advantages, and appropriate technologies.

Evidence from the international front must be noted. The Economist (1985) states that the world's largest and poorest industry is suddenly the one in which productivity can increase the fastest. Agricultural miracles start when countries stop favouring large-scale equipment-intensive and capital-intensive farming. The way forward does not depend on enjoying good weather, nor on being rich or educated before miracles begin. In 1984 Zimbabwe suffered its third successive year of severe drought - but rose back to near self-sufficiency in maize. Most of the increase came from black smallholders. Despite their tribal base they operate as private farmers growing and selling produce for their own profit. This sector's production has increased by 253% since 1980. In 1985 they supplied 41% of the maize deliveries.

Stepped up agricultural extension services and provision of more advisory staff, cattle dipping, the relatively good prices they receive, the increasing number of crop collection depots and the prompt payments - usually within two weeks of delivery - were the main contributing factors to this success story. Small farmers are also supplied by the various produce boards with bags and other means of storing grain. Access to cash for farm implements, seeds and other farming necessities on easy loan terms has been widened. Only some 3 000 farmers

(out of about 800 000) received loans in 1979. This increased to more than 90 000 in 1984.

The preceding discussion is consistent with the view that small operational units are clearly most economic. This is substantiated by the famous "inverse relationship" between farm size and land productivity; smallholders tend to use non-land inputs - especially labour - more intensively than larger farmers. The level at which the food supply-demand equation is balanced is largely dependent on the design and implementation of a country's development strategy, especially as it influences the rate of expansion of employment.

## **8. AGRICULTURAL CO-ORDINATION AND CO-OPERATION**

The occurrence and projections of agricultural growth in certain areas, and stagnation and declines in other, define a clear setting for southern African interaction, especially in the field of food production, marketing and trade but also in terms of co-ordinated agricultural development on this subcontinent. The following items are important in this regard:

### **8.1 The Central Position Of South Africa's Agricultural Sector**

The dominant role played by the South African commercial agricultural sector in the economy of the region is evident from the preceding discussion. Interaction between South Africa and various homeland countries can potentially be widespread and strong, and these states stand to gain immensely from the strong South African economy, while it is also in South Africa's interests to promote and develop the large African market. It is therefore obvious that South Africa has an important, even crucial, role to play in providing not only food aid and employment but also agricultural research, training, management, technical inputs and know-how, capital and finances to its African farmer neighbours.

### **8.2 Agricultural Co-ordination In Southern Africa**

With the adoption of South African regional development policy between South Africa and its homelands - the need as well as potential was identified for a South African perspective in agricultural policy and planning, resulting in a more efficient and goal-oriented co-ordination of agricultural policy on production and marketing. Various agricultural projects and farmer support programs are planned and operated in the homelands, some funded by the Development Bank of Southern Africa, others from different sources. Surpluses of most agricultural commodities are produced within Southern Africa. Market potential

could therefore pose a serious restriction for agricultural production efforts.

Marketing arrangements by the South African agricultural control boards affect the whole South African economy. The homelands may therefore insist on a certain level of participation in decisions, while the control boards and other South African agricultural institutions may request a greater degree of co-ordination in production planning. The affirmative support of smallholder farmers in the less developed areas of this region also requires co-ordinated aid measures.

At present multilateral technical committees, their working groups and regional liaison committees provide a forum for the discussion of certain common issues. Some major issues are also discussed on a bilateral basis between the parties concerned. This level of interaction may not at present necessitate supplementary institutional structures. In future, however, the need for a Southern African perspective, promoting stability and regional growth, will necessitate a more efficient and representative decision-making process. Important issues in this respect include privatization opportunities, the devolution of decision making and responsibilities, and decentralization of agricultural support structures.

### **8.3 Bilateral Versus Multilateral Interaction**

The southern African region is based on multilateral interaction between the member states, the main objective of this interaction being the co-ordination of development co-operation. Bilateral interaction, however, proposes development action between two countries. The sheer dominance of the South African agricultural economy and its supporting infrastructure and resources places South Africa in a central position to generate a large number of bilateral agreements with other countries in this region. It is understandable that any one country would often prefer not to discuss some of the problems and strategies as well as programs and projects initiated by economic interaction in the open forum of a multilateral framework. Although the importance of multilateral contact, especially on policy matters, is not denied, it seems as if priority should be attached to bilateral agreements and interaction to initiate regional development and growth in southern Africa.

Membership of the Southern African multilateral institutions such as the Development Bank of Southern Africa (DBSA) by SADCC countries and vice versa is therefore not envisaged in the near future. Over the longer term an institution such as DBSA could, however, be viewed as a potential channel for international investment in Southern African agricultural development, inter alia by the World Bank.

#### **8.4 Disinvestment In South Africa**

Another important point refers to the detrimental effect on South Africa and its homelands of disinvestment by overseas countries. From the preceding analysis it is clear that South Africa can provide other countries within the region with a stable access to markets and essential imports; with locally adapted technological back-up; and with readily available maintenance services. The enthusiasm initially generated by the Nkomati Accord and the Rempmosa Agreement, proposing agricultural linkages and development aid between South Africa and Mozambique, illustrates the potential attractiveness and the vital importance of the Southern African economic interaction. The apparent lack of progress indicates the sensitivity of such "formal" manifestations of cooperation. The magnitude of "less formal" interactions on trade, technical assistance and scientific levels between South Africa and various homeland countries however substantiates the possibility that disinvestment in South Africa could be particularly harmful for all the countries of this region.

#### **8.5 Food Politics**

Development Southern Africa cites a statement ascribed to G M E Leistner, who said that the spirit of practical co-operation would not be promoted if South Africa were to use its food surpluses as a tactical weapon to exert pressures on needy African countries. South Africa should be a reliable partner that will not be first to use trade for short term political ends.

### **9. CONCLUSION**

From the analysis presented it is obvious that the commercial agricultural sector of South Africa is the dominant force in the subcontinent's agriculture. However, the fact that at present over five million blacks live on 70 000 white-owned farms and only about one-third of them are working, constitutes a socio-economic problem and requires the attention of policy makers. The concentration of larger farms in fewer hands, as well as indebtedness of farmers on a scale that requires continuous government subsidization and emergency aid measures, contribute to a deterioration of this sector. These problems are compounded by export losses, especially on maize.

As far as traditional agriculture is concerned it can be argued that commercialization of tribal life has expanded faster and further than elsewhere on the continent, but this has been in the form of wage employment rather than commercial agricultural production. An effort to commercialize and modernize traditional agriculture should include policy considerations such as:

- (a) increasing both producer and retail prices in order to induce the majority of farm-households to increase food crop production;
- (b) establishment of an efficient produce marketing structure for increasing marketed surpluses;
- (c) livestock development policy measures that retard overgrazing and encourage qualitative improvements;
- (d) the furthering of integrated rural development projects with the recognition of the fact that the present stagnation of the traditional agriculture sector is a function of the nature and extent of the modern sector development and urban expansion;
- (e) modernization of the traditional land tenure system; and
- (f) creation of a class of commercial part-time farmers.

The guiding principle in the formulation of these policy proposals is taken to be that resource should be used efficiently, and that there should therefore be an equitable distribution of access to these resources and appropriate entitlements in this regard. In this manner the ends of social justice will also be furthered. The occurrence and projections of agricultural growth in certain areas, and stagnation and declines in other, define a clear for Southern African interaction, especially in the field of food production, marketing and trade and also in terms of co-ordinated agricultural development in this subcontinent.

## **10. COMMENT ON SUGGESTED AGENDA FOR AGRICULTURE**

Agricultural development has been singled out as an important dimension of the South African regional development policy. The philosophy behind the policy is that together with its homelands, South Africa operates on the basis of a single economy. However, agricultural production activities occur within a wide range of farming systems. Capital-intensive commercial farming exists alongside subsistence production units. Large-scale agricultural estates and privately owned family farms operate to communally oriented tribal farming systems. White commercial farming produced an output of R1 298 per man and R119 per hectare cultivated in comparison to R65 and R34 respectively for black subsistence agriculture. Although this type of comparison may not be absolute as it does not take account of all production factors utilized and it is difficult to measure accurately smallholder production in qualitative terms, it substantiates the considerable differences prevailing between commercial and subsistence agricultural production within South African.

To a large extent the diversity of agriculture in South Africa relates to the entirely differentiated milieu in which agricultural activities occur. On the one hand, 'white' commercial farming is comprehensively supported by specialized institutions such as the South African Land Bank, private financial institutions, marketing boards the co-operative movement, organized agriculture, research, extension and input supply institutions as well as a strong political lobby. Subsistence and smallholder agriculture on the other hand operates largely outside this support structure.

Strategies aimed at uplifting agriculture in the development areas of South Africa were, until recently, characterized by large semi-state and centrally controlled corporative projects with relatively little attention towards the establishment and support of individual smallholders and commercial black farmers in their own right. In this context it is important to note the widespread evidence that smallholders in developing agriculture are basically economically efficient in their allocation of farming resources. In cases where these farmers have been comprehensively supported, it was observed that they responded rationally to price signals and economic incentives. The existence of successful albeit relatively few commercial black farmers must also be appreciated as this group of farmers operates commercially despite the numerous restrictions facing them in relations to access to farming resources and support systems.

Differences in the South African agricultural economy are thus quite apparent. However, it will be incorrect and an over-simplification to view the prevailing situation as that of - two agricultures - existing in virtual isolation alongside each other. Economic force and market realities negate this notion. A few examples in this respect will suffice. Research indicates that labour allocation in rural households is a function of the economic returns to labour in agriculture vis-a-vis the returns to non-agricultural employment opportunities. Increases in non-agricultural wage levels will consequently raise the opportunity costs of agricultural activities and decrease the attractiveness of farming. Commercial producers in Southern Africa, whether large or small, black, or white produce in a common market, albeit an imperfect one. Over-supply of a particular commodity will ultimately result in decreasing product prices, affecting all producers in Southern Africa. Marketing arrangements such as quotas and permit systems, and agency agreements between South African marketing boards and some of the national states, are further examples of the economic interaction within agriculture in Southern Africa.

This interaction must be viewed against the South African regional development policy referred to above. This policy, agreed to by the "homelands" in 1982, emphasizes the reduction in economic imbalan-

ces between and within regions as a major objective. The correspondence between the location of poverty and low standards of living with those areas where agriculture is characterized by low productivity, under-utilized natural resource and restricted access to support structures, identifies agriculture as an important target for development initiatives.

The emphasis placed by the regional development policy on the application of sound economic principles and criteria, on the devolution of decision making and responsibilities and on support to private sector activities, focuses pertinent attention on arid affirmative action towards individual farmers - full-or part-time - in the development areas. This requires the design of agricultural policies, strategies and farming models involving support to and settlement of farmers as major objectives. Such an approach also calls for the redirection of present agricultural policies towards opening access for farmers to the common input and product markets. It further implies an emphasis on small-farm support programs and on agricultural interaction and economic co-operation within the country's entire farming region. To achieve this restructuring a South African perspective on agricultural issues is required. The following themes should be placed on an agenda for action in agriculture.

### **10.1 Equitable Access To Participation In Agriculture**

In an effort to reduce regional imbalance and promote economically sound development activities, it is important to ensure that farmers everywhere in South Africa have equitable access to opportunities to compete in the market in the market. Various aspects in this regard require attention. Development Southern Africa [DVSA] endorses a recommendation in favour of opening access for small farmers in the developing areas by means of comprehensive support programs and affirmative action. DVSA argues that although this may imply a degree of redistribution of agricultural resources towards small farmers, it will eventually result in increased efficiency of resource usage and lead to progressive and broadly based agricultural growth in the long run.

### **10.2 Acquirement And Entitlements**

Within the Southern African context the entitlements of small farmers and black commercial farmers are severely restricted by various factors such as imperfect production rights, limited exchange opportunities to transfer assets and labour opportunities with higher returns, etc. The success of small-farmers support programs will depend to a major degree on arrangements to solve the acquirement problem facing these farmers'priority of needs

### **10.3 Co-operation And Co-ordination**

Although various forms of co-operation activities have been instituted between the white agricultural sector and its homelands counterparts, these activities do not address most of the issues that are central to successful black participation in agri-business. Development South Africa argues for greater co-operation between existing commercial and subsistence homeland agricultural sectors. Such co-operation would consider issues that relate to marketing strategies, arrangements and agreements, co-ordinated subsidization and cost recovery policies, financial assistance to farmers, etc. Agricultural committees of regional liaison committees should also be increasingly involved in policy and strategy formulation at regional levels.

Co-operation at agri-support and the farmer levels should be actively promoted. This could result in cross-border sharing of services such as specialized extension, research of and infrastructural facilities. These policies will assist in preventing the fragmentation of scarce manpower resource and the expensive duplication of structures. Co-operation at the level of agricultural unions and agricultural co-operatives has been suggested in the past. However, a more pro-active approach in this respect seems necessary and must be viewed as a potentially important private sector initiative.

### **10.4 Restructuring Of Agriculture**

Restructuring of South African agriculture is necessary over a broad spectrum of activities. In the development context, it is required, at least, at four levels such as: institutional support, resource base, comparative advantages and technology supply.

Institutions operating in developing agriculture should be restructured towards facilities the processes of privatization and the devolution of decision making as promotes by the regional development policy. This implies, inter alia, that institution such as agricultural development corporations and companies as well as government departments should withdraw from profitable agricultural production activities in their own rights on estate project and redirect their attention towards supporting and facilitating the activities of local communities, contractors, individuals and groups of farmers to exploit such profitable opportunities. The promotion of local capacities at agri-support and farmer levels should be viewed as an important priority in spite of possible inefficiencies in the short and control in the organization and administration of developing agriculture should be viewed as unproductive and counter to a sound long-term development strategy aimed at creating capacity and greater sustainability at local levels.

A second aspect of agricultural restructuring in southern Africa should focus on adjusting the present distribution and utilization of agricultural resources. The opening of access to such resource to all farmers, in South Africa, will inevitably direct attention towards the present availability and distribution of agricultural land resources. It must be appreciated that restriction of access to land to land jeopardize the long-run, economically optimal utilization of land resource while effectively undermining private enterprise initiative in agriculture. Land issues will receive increasing attention in future and should be placed on an agenda for action. It is proposed that this issue be assessed within a sound economic framework attending to efficiency and equity criteria, and not solely in terms of its political considerations.

Thirdly, the principle of comparative cost advantages requires that sound economics dictate the location and establishment of agricultural activities. With present efforts to stimulate the economic potential of the less developed areas of South Africa and the opening of access to all farmers to compete in the market, the application of the principle of comparative cost advantages may imply certain shifts in production localities to ensure the economically optimal utilization of scarce agricultural resources and markets.

A fourth aspect refers to the appropriateness of available technology in South Africa. Commercial agriculture is at present characterized by over-investment with the emphasis on expensive imported technology and on large-scale machinery. Restructuring in this respect should be towards less expensive and more modest mechanization equipment. Smallholder farming, on the one hand, lacks the financial demand to register needs for appropriate small-scale technology in the market. Technology and mechanization are viewed as among the most prominent input required to modernize agriculture and improve productivity. A system to stimulate research and development towards appropriate technical inputs adapted to local conditions and to the diversity of agriculture in South Africa is necessary.

## **CHAPTER IV**

### **ANNEX 2**

#### **CHRONOLOGY OF SIGNIFICANT EVENTS IN HISTORY OF SOUTH AFRICA**

## CHRONOLOGY OF SIGNIFICANT EVENTS IN SOUTH AFRICAN HISTORY

Millennia	Ancestors of the Khoisan (San and Khoisan) or "Bushmen" and "Hottentots" living in South Africa.
Before A.D.300	Ancestors of the Bantu-speaking African population begin to settle in South Africa
1652	The Dutch East India Company founds a refreshment station at the Cape of Good Hope.
1652-1795	Genesis and expansions of the Afrikaners (Boers); conquest of the Khoisan; importation of slaves.
1795	Britain takes the Cape Colony from the Dutch.
1803	The Dutch "Batavian Republic" regains the Cape Colony by treaty.
1806	Britain conquers the Cape Colony.
1809	Colonial proclamation regarding status of "Hottentots."
1811-12	British and Colonial forces expel Africans from territory west of the Fish River.
1815	Rising of frontier Boers' later known as the "Slagstersnek rebellion"
1816-28	Outbreak of inter-tribal and regional African warfare "mfecane" or "defeqane" in southeastern Africa. Wars ignited by Shaka's desire to create a Zulu nation - the warfare resulted in massive dislocation of African societies throughout southern and central Africa.
1828	The Cape Colony liberates "Hottentots and other free persons of colour" from legal disabilities.
1834-35	Frontier war between Xhosa and the Cape Colony.
1834-38	The British parliament emancipates the slave.
1836-1840	Five thousand Boers' later known as "Voortrekkers" leave the Cape Colony with their Coloured clients in a rebellious movement later known as the Great Trek.
1838	An Afrikaner commando defeats the Zulu; the Covenant and the Battle of Blood River (December 1838)
1843	Britain annexes Natal.
1852-54	Britain recognizes the South African Republic "Transvaal" and Orange Free States as independent Afrikaner states.
1867	Diamond mining begins in Griqualand West.
1868	Britain annexes Basotholand (Lesotho).
1877	Britain annexes the Transvaal.
1880-81	Transvaal Afrikaners regain independence in the First Boer War or the (First War) 1886 Gold mining begins on Witwatersrand.
1895-96	Leander S Jameson's unsuccessful filibustering raid to the Transvaal.
1898	Transvaal forces conquer the Venda, thus, completing the white conquest of the African population of South Africa.

- 1899-1902 The Second Boer War or (the Second War of Freedom). Britain conquers the Afrikaner republics.
- 1910 The Cape Colony, Natal, the Transvaal, and the Orange Free State join to form the Union of South Africa, a self-governing British dominion.
- 1912 Foundation of the African National Congress (ANC).
- 1913 Native Land Act limits African landownership to the reserves comprising 13% of the South African surface land.
- 1914-19 As a member of the British Empire, South Africa participates in the First World War.
- 1924-23 J B M Hertzog heads a National Party government.
- 1933-38 J B M Hertzog heads a fusion government, then a United Party government; D F Malan forms the new Afrikaner National Party.
- 1939-45 South Africa participates in the Second World War on the Allied side, with J C Smuts heading the United Party government.
- 1948 D F Malan's National Party wins general election and begins to apply the policy of apartheid.
- 1952 The ANC and allies launch a passive resistance campaign against laws.
- 1959 Africanists break-away from the ANC to form the Pan-African Congress. (PAC)
- 1960 Police kill 67 African anti-pass law demonstrators at Sharpeville. South African government bans African political organizations.
- 1961 South Africa becomes a republic and leaves the Commonwealth.
- 1964 African Chambers of Commerce consolidated in the National African Federated Chamber of Commerce.
- 1966-68 Lesotho, Botswana and Swaziland become independent states and members of the United Nations
- 1969 Black University students break-away from National Union of South African to form South African Students Association "SASO". Later SASO gives birth to the Black Consciousness Movement (BC)
- 1975-76 Mozambique and Angola become independent states and members of the United Nations.
- 1976-77 At least 575 people die in disturbance in Soweto and other African townships.
- 1976-81 South Africa grants "independence" to the Transkei, Bophuthatswana, Venda, and Ciskei, "Homelands," but they are not recognized internationally.
- 1984-87 South Africa and Mozambique sign peace pact (Nkomati Accord). A new constitution gives Asians and Coloured people, but not Africans, limited participation in

the South African political system.

South Africa enters into prolonged period of widespread resistance in black townships.

Government responds violently by declaring State of Emergency; banning and detaining over 25 000 people; expelling foreign journalists; and sending South African Defense Force and South African Police to patrol black townships.

Most urban black townships embark on boycott campaigns covering wide range of social, economic and political activities.

United States Senate imposes elective sanctions against South Africa. Several major foreign corporations pull out of South Africa.

## **ANNEX 3**

### **STATUTORY BARRIERS TO FREE ENTERPIRSE IN SOUTH AFRICA**

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## STATUTES AND ORDINANCES

Abattoir Industry Act  
Abortion and Sterilization Act  
Accounts and Auditors Act  
Administration of Estates Act  
Admission of Persons to the Republic Regulation Act  
Advanced Technical Education Act  
Advertising on Roads and Ribbon Development Acts  
Advocates Admission Act  
Age of Majority Act  
Agricultural Credit Act  
Agricultural Holdings (Transvaal) Registration Act  
Agricultural Industries Advancement Act  
Agricultural Produce Agency Sales Act  
Agricultural Produce Export Act  
Air Services Act  
Aliens Act  
Aliens Control Act  
Aliens Registration Act  
Animal Slaughter, Meat and Animal Product Hygiene Act  
Animals Protection Act  
Arbitration Act  
Architects Act  
Artificial Insemination of Animals Act  
Asiatic Land Tenure and Indian Representation Act  
Asiatic Laws Amendment Act  
Asiatics in the Northern Districts of Natal Act  
Assessment of Damages Act  
Associated Institutions Pension Fund Act  
Associated Institutions Provident Fund Act  
Atmospheric Pollution Prevention Act  
Attorneys Act  
Atomic Energy Act  
Auditors Act  
Aviation Act  
Banking Institutions Act  
Banks Act  
Blacks (Bantu) (Abolition of Passes and Co-Ordination of Documents) Act  
Basic Conditions of Employment Act  
Bills of Exchange Act  
Blacks Administration Act  
Blacks Affairs Act  
Blacks Authorities Act  
Blacks Authorities' Service Pensions Act  
Blacks Labour Act  
Blacks Labour Act, Contribution in Respect of,  
Blacks Land Act  
Blacks Lands further release and acquisition Act  
Blacks Lands (Natal and Transvaal) Act  
Blacks Laws Amendment Acts  
Blacks (Prohibition of Interdicts) Act  
Black Transport Services Act  
Blacks Self-Government Promotion Act  
Blacks Service Contract Act  
Blacks Services Levy Act  
Blacks Trust and Land Act  
Blacks Universities Act  
Blacks (Urban Areas) Consolidation Act  
Better Administration of Designated Areas Act  
Border Control Act

Board of Trade and Industries Act  
Boxing and Wrestling Control Act  
Broadcasting Act  
Building Regulations and Building Standards, National Act  
Building Societies Act  
Business Names Act  
Canned Fruit and Vegetables Export Control Act  
Canned Fruit Export Marketing Act  
Cape Outspans Act  
Cape Town Foreshore Act  
Carriage By Air Act  
Chartered Accountants Designation Amendment (Private) Act  
Chartered Accountants Designation (Private) Act  
Children's Act  
Chiropractors Act  
Civil Aviation Offences Act  
Civil Defense Act  
Coal Act  
Coloured Persons Education Act  
Coloured Persons Settlement Act  
Commission for Fresh Produce Markets Act  
Common Pasture Management Act  
Community Councils Act  
Community Development Act  
Companies Act  
Compulsory Motor Vehicle Insurance Act  
Constitution Act  
Conventional Penalties Act  
Conversion of Leasehold to Freehold Act  
Co-operative Act  
Co-ordination of Housing Matters Act  
Copyright Act  
Correspondence Colleges Act  
Credit Agreements Act  
Cultural Institutions Act  
Currency and Exchanges Act  
Customs and Excise Act  
Dairy Industry Act  
Dairy Industry Laws Amendment Act  
Deeds Registries Act  
Deep Level Mining Research Act  
Defense Act  
Dental Mechanics Act  
Dental Technicians Act  
Designs Act  
Diamond Control Act  
Diamond Cutting Act  
Diamond Export Duty Act  
Diplomatic Immunities and Asiatic Land Tenure Amendment Act  
Drugs Control Act  
Economic Co-operation Promotion Loan Fund Act  
Education Act  
Education and Training Act  
Educational Services Act  
Educational Laws Amendment Act  
Egg Production Control Act  
Electricity Act  
Environment Conservation Act  
Estate Agents Act

Estate Duty Act  
Export Control Act  
Export Credit Re-Insurance Act  
Expropriation Act  
Expropriation (Establishment of Undertakings) Act  
Expropriation of Mineral Rights (Townships) Act  
Farmers' Assistance Amendment Act  
Fencing Act  
Fertilizers, Farm Seeds, Agricultural Remedies  
and Stock Remedies Act  
Finance Act  
Finance and Financial Adjustments Acts Consolidation  
Act  
Financial Institutions Act  
Financial Institutions (Investment of Funds) Act  
Financial Relations Act  
Foodstuffs, Cosmetics and Disinfectants Act  
Forest Act  
Formalities in Respect of Contracts of Sale and Land  
Act  
Formalities in Respect of Leases and Land Act  
Friendly Societies Act  
Fund-Raising Act  
Gambling Act  
General Law Amendment Acts  
General Pensions Act  
Gold Mines Assistance Act  
Government Villages Act  
Group Areas Act  
Guidance and Placement Act  
Harbour Construction Act  
Hazardous Substances Act  
Health Act  
Health Donations Fund Act  
Health Laws Amendment Act  
Higher Education Act  
Hire-Purchase Act  
Historical National Monuments Act  
Homeopaths, Naturopaths, Osteopaths and Herbalists  
Act  
Hotels Act  
Housing Act  
Human Sciences Research Act  
Illegal Squatting Act  
Immigration Act  
Immovable Property (Removal or Modification of  
Restrictions) Act  
Import and Export Control Act  
Importation of Wine and Spirits Act  
Income Tax Act  
Indemnity Act  
Indian Advanced Technical Education Act  
Indians Education Act  
Industrial Conciliation Act  
Industrial Development Act  
Insolvency Act  
Inspection of Financial Institutions Act  
Insurance Act  
Inventions Development Act  
Irrigation Districts Adjustment Act  
Klipfontein Organic Products Corporation Transfer Act  
Lake Areas Development Act  
Land Bank Act

Land Settlement Act  
Land Survey Act  
Land Surveyors Registration Act  
Land Tenure Act  
Land Titles Adjustment Act  
Legal Aid Act  
Licenses Act  
Limitation and Disclosure of Financial Charges Act  
Limitation of Legal Proceedings (Provincial and  
Local Authorities) Act  
Liquid Fuel and Oil Act  
Liquor Act  
Livestock Brands Act  
Livestock Improvement Act  
Livestock and Meat Industries Act  
Lord's Day Act (Natal) Amendment Act  
Machinery and Occupational Safety Act  
Maintenance and Promotion of Competition Act  
Manpower Training Act  
Marketable Securities Tax Act  
Marketing Act  
Measuring Units and National Measuring Standard Act  
Medical, Dental and Supplementary Health Services  
Professions Act  
Medical Schemes Act  
Medicines and Related Substances Control Act  
Merchandise Marks Act  
Merchant Shipping Act  
Merchant Shipping Certificates of Competency) Act  
Mineral Laws Supplementary Act  
Mines and Works Act  
Mining Rights Act  
Mining Titles Registration Act  
Moratorium Act  
Motor Vehicle Insurance Act  
Mountain Catchment Areas Act  
Natal Conveyances Act  
National Building Regulations and Building Standards  
Act  
National Culture Promotion Act  
National Education Policy Act national Finance  
Corporation Act  
National Key Points Act  
National Monuments Act  
National Parks Act  
National Roads Act  
National Roads and Ribbon Development Act  
National Roads and Transportation (Co-Ordination) Act  
National States Citizenship Act  
National Study Loans and Bursaries Act  
National Supplies Procurement Act  
National Welfare Act  
Natural Scientists Act  
Newspaper and Imprint Registration Act  
Notarial Bonds (Natal) Act  
Nursing Act  
Participation Bonds Act  
Patents Act  
Payment of Quitrent (Cape) Act  
Pensions Funds Act  
Pension Funds Amendment and Supplementary Acts  
Performers Protection Act

<b>Perishable Products Export Control Act</b>	<b>Sea-Shore Act</b>
<b>Petroleum Products Act</b>	<b>Sea Fisheries Act</b>
<b>Pharmacy Act</b>	<b>Second-Hand Goods Act</b>
<b>Physical Planning Act</b>	<b>Sectional Titles Act</b>
<b>Plant Breeders' Rights Act</b>	<b>Seeds Act</b>
<b>Plant Improvement Act</b>	<b>Slums Act</b>
<b>Police Act</b>	<b>Social and Associated Workers Act</b>
<b>Poor Relief and Charitable Institutions Ordinance</b>	<b>Social Pensions Act</b>
<b>(Cape)</b>	<b>Soil Conservation Act</b>
<b>Post Office Act</b>	<b>South African Indian Council Act</b>
<b>Powers and Privileges of Parliament Amendment Act</b>	<b>South African Iron and Steel Industry Corporation Limited Act</b>
<b>Precious Stones Act</b>	<b>South African Medical Research Council Act</b>
<b>Prescribed Rate of Interest Act</b>	<b>South African Mint and Coinage Act</b>
<b>Prescription Act</b>	<b>South African Mutual Life Assurance Society Act</b>
<b>Prevention and Combating of Pollution of the Sea by Oil Act</b>	<b>South African National Life Assurance Company Act</b>
<b>Prevention of Illegal Squatting Act</b>	<b>South African Reserve Bank Act</b>
<b>Price Control Act</b>	<b>South African Shipping Board Act</b>
<b>professional Engineers Act</b>	<b>South African Tourist Corporation Act</b>
<b>Prohibition of Exhibition of Films on Sundays and Public Holidays Act</b>	<b>Special Taxation Act</b>
<b>Promotion of Black Self-Government Act</b>	<b>Stamp Duties Act</b>
<b>Promotion of Competition Act</b>	<b>Standards Act</b>
<b>Promotion of the Economic Development of Black (Bantu) Homelands Act</b>	<b>State Land Disposal Act</b>
<b>Protection of Business Act</b>	<b>State Liability Act</b>
<b>Provincial License Duties Act</b>	<b>State Oil Fund Act</b>
<b>Provincial Acts</b>	<b>State Property (Immunity from Rating) Act</b>
<b>Public Accountants and Auditors' Act</b>	<b>State Tender Board Act</b>
<b>Publications Act</b>	<b>Statistics Act</b>
<b>Public Debt Commissioners Act</b>	<b>Statutory Pensions Protection Act</b>
<b>Public Health Act</b>	<b>Stock Exchanges Control Act</b>
<b>Public Holidays Act</b>	<b>Strategic Mineral Resources Development Act</b>
<b>Public Safety Act</b>	<b>Subdivisions of Agricultural Land Act</b>
<b>Public Service Act</b>	<b>Succession Act</b>
<b>Publications and Entertainment Act</b>	<b>Sugar Act</b>
<b>Quantity Surveyors Act</b>	<b>Suretyship Act</b>
<b>Radio Act</b>	<b>Tear-Gas Act</b>
<b>Railway Expropriation Act</b>	<b>Technological Training Advancement Act</b>
<b>Railway and Harbour Purchase Act</b>	<b>Temporary Employees Pension Fund Act</b>
<b>Railways Construction Act</b>	<b>Tiger's Eye Control Act</b>
<b>Railways and Harbours Acts</b>	<b>Tobacco and Wine Research Accounts Act</b>
<b>Rand Water Board Act</b>	<b>Tour Guide Act</b>
<b>Recognition and Enforcement of Foreign Arbitral Awards Act</b>	<b>Trade Marks Act</b>
<b>Registration of Copyright in Cinematograph Films Act</b>	<b>Trade Metrology Act</b>
<b>Registration of Pedigree Livestock Act</b>	<b>Trade Practices Act</b>
<b>Relief Settlements Act</b>	<b>Transfer Duty Act</b>
<b>Removal of Restrictions Act</b>	<b>Transport (Co-ordination) Act</b>
<b>Rent Control Act</b>	<b>Transport Services for Coloured Persons and Indians Act</b>
<b>Representations of Blacks (Bantu) Act</b>	<b>Transvaal and Natal Societies of Chartered Accountants Act</b>
<b>Republic of South Africa Constitution Act</b>	<b>Trust Moneys Protection Act</b>
<b>Reservation of Separate Amenities Act</b>	<b>Unbeneficial Occupation of Farms Act</b>
<b>Restriction on the Importation of Wine and Spirits Act</b>	<b>Unemployment Insurance Act</b>
<b>Residence in the Republic Regulation Act</b>	<b>Unit Trusts Control Act</b>
<b>Revenue Laws Act</b>	<b>Universities Acts</b>
<b>Riparian Land (Erven and Commonages) Act</b>	<b>Urban Transport Act</b>
<b>Road Transportation Act</b>	<b>Veterinary and Para Veterinary Professions Act</b>
<b>Rural Coloured Areas Act</b>	<b>Wage Act</b>
<b>Sale of Land on Installments Act</b>	<b>Water Act</b>
<b>Sales Tax Act</b>	<b>Wattle Bark Industry Act</b>
<b>Savings Bank Societies Act</b>	<b>Weeds Act</b>
	<b>Wine and Spirit Control Act</b>
	<b>Wine, Other Fermented Beverages and Spirits Act</b>

**Wine, Spirits and Vinegar Amendment Act**  
**Witchcraft Suppression Act**  
**Workmen's Compensation Act**

**ORDINANCES (TRANSVAAL)**

**Abolition of Dog Race Meeting and the Prohibition of Betting on Dog Races 4/49**  
**Agricultural Holdings (Transvaal) (Act) 22/1919 19/1929**  
**Building By-Laws or Regulations**  
**Cemetery 8/1932**  
**Civil Defense 20/1977**  
**Division of Land 19/1973**  
**Drive-In Theatres 22/1960**  
**Dwelling Loans Guarantee**  
**Education 29/1953**  
**Fire Brigade Services 17/1939**  
**Horse Racing and Betting 24/1978**  
**Hospitals 14/1958**  
**Licenses 19/1974**  
**Licensing and Control of Dogs 18/1933**  
**Local Authorities Rating 11/1977**  
**Local Government 17/1939**  
**Local Works (Special Services) 10/1964**  
**Markets 21/1961**  
**Mineral Baths Board of Trustees**  
**Nature Conservation 12/1983**  
**Pounds 13/1972**  
**Public Resorts 18/1969**  
**Reservation of Separate Amenities by Local Authorities 8/1958**  
**Road Traffic 21/1966**  
**Roads 22/1957**  
**Shop Hours 24/1959**  
**School Medical Service 4/1961**  
**Tender Board Regulations**  
**Town-Planning and Townships 25/1965**

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