(Steel and Engineering Industries Federation of South Africa) cap where the levy/rebate scheme has operated successfully for many years.

Funding, by the Industry's companies, of selected training or further education for deserving or promising individuals could be enhanced logically via managed manpower development budgets. Full or subsidized costs could be absorbed by the company for training as part of its business expenses if other assistance should not be forthcoming. Further education funding could be similarly absorbed under enhanced bursary etc allocation.

The development of manpower is indeed an investment that yields real returns in the long-range.

Are we all doing our share in this vital area?

Conclusions

From what we have heard in the past two days proceedings and from the above attempt to bring perspective to our current and hopefully changing attitude, many questions have been raised. If too few answers have been given, then the purpose of this paper has been achieved, since deep deliberation is always necessary before we set objectives involving changing future parameters.

The very human, but perhaps true failing, that most of us, except perhaps the realists, have is that 'change should occur in a nice orderly way, to suit our ends, and preferably without too much effort on our part'.

Is this true, partly true, or is it our job to bear up to the challenges of the future, manage change and set a sound planning base for the future?

National planning perspectives

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Background

It is well-known that the South African authorities implemented a major new approach to national economic planning about a year ago. This has been a major step — an institutional reform — by Government hopefully to put it in a better position to deal with the development issues that will face this country for at least the next decade. The new Economic Development Programme has been restructured to provide Government with a better information background of the major socio-economic trends that will be prevalent in future as well as with the alternative policy strategies and priority areas where action is needed. Probably the most important advantage of the new system of economic planning is that it enables Government to identify more clearly the total cost and benefits of specific actions which are aimed at the attainment of its stated aims. Moreover, the new planning framework that is embodied in the EDP provides Government and the public with a better understanding of the development issues that are at stake which have to be resolved with the limited resources that are available for this purpose. Hopefully this will reduce the danger of over-extending the country's financial resources for socio-economic purposes and avoid the tendency to strive for goals that are either inconsistent with each other or beyond the country's means.

The international background

There is no doubt that the decade of the eighties and beyond certainly holds exciting economic prospects for a country like South Africa, but one should not underrate the high risks economically and politically that will always be with us. A very important aspect that must be considered for planning purposes over the longer term is in fact the role South Africa envisages itself to fulfil in world perspective. South Africa has always had an open economy and there is no reason to believe that this situation will change drastically in future. We must therefore in formulating our development strategy take cognisance of probable structural changes that will make itself felt in a world context. Obviously, the object of the exercise must be for South Africa through forward planning to capitalize on these developments for the sake of its own national interest and development.

In a global context, South Africa will have to take note of certain expected developments in the international economic field which in many respects are not new but are expected to become more prominent and important from a policy planning point of view. One must remember that South Africa probably holds a unique position in the world today when its own economic structure and involvement in world trade is taken into consideration. It is well-known that the RSA is basically a major exporter of basic raw materials (excluding gold) to the industrialized world. In quantitive terms roughly 30% of South Africa's domestic resources are devoted to exports which in any language is quite high. So, obviously, South Africa's economic future over the short and longer term must be viewed very carefully against the background of expected economic conditions in these developed countries. Coupled with this, of course, are the possible policy changes that the developed world may put into effect in order to safeguard their own economic well-being.

In the decade of the seventies we have witnessed some very significant developments in the world economy which to be sure, have given rise to fundamental changes in economic relationships and ultimately political relationships on a world-wide basis. Probably the most outstanding development has been the tremendous oil price increases since 1973 and the very severe impact it has had on the world economy. Although one usually finds commentators arguing that this was an isolated occurrence, it has now become clear that the so-called oil crisis is only the forerunner of things to come. The fact that a relatively small group of oil producing countries was able to hold the mighty industrialized world to ransom, typifies the new world economic order that is taking shape. The main characteristic of this new order is a growing degree of economic interdependence between basically the developing nations as raw material producers and the developed world as the major consumers of these raw materials.

This growing interdependence, in pure economic terms, should be a good thing, because this demonstrates the role of increasing foreign trade as a vehicle to improve the economic condition of the lesser developed nations. Unfortunately this is not so simple, because when one looks more closely to what has really happened, total world trade between the developed nations has increased much faster than between them and the developing countries. In short, the development gap between the developed and developing nations has not decreased despite the progress that was made in overall world trade and economic growth.

This then brings to the front the basic development issue that will confront the world in the decades ahead. Obviously, the strategy of the Opec-countries is not the right one, because it damaged not only the rich nations but boomeranged rather badly on the developing non-oil exporting world as well. Put rather simplistically, the solution must be sought in a more effective form of economic and political co-operation between the two 'opposing' sides in this world struggle. If this is not accomplished, then the alternative would be confrontation, more protectionism, economic and financial chaos and unfortunately this will lead to political instability and all the dangers that accompany it. Signs of this have already been noted in recent times, and I would hope that it will not persist for too long.

Of importance to South Africa is to take note of the possible economic and of course political strategies that these two sides are proposing to follow over the next ten to twenty years. Important guidelines can already be found when one has a look at the more recent United Nations publications concerning the so-called international development strategy. Inter alia, it is quite clear from these reports that the developing nations of the world are looking for a more meaningful share of overall world economic development. Developing nations are targeting for an average growth rate in their real gross domestic products over the next decade of no less than 7,0% per annum. This compares to an expected and probably ambitious growth rate of 4,0% for the industrialized countries. This is of course a very stiff target for the developing countries, but how do they propose to achieve it? There is no doubt that they intend achieving it not only by affecting structural changes more rapidly in their own economies, but through applying pressure on the developed world for accelerating structural adjustments to their economies as well and also by changing the international economic institutional infrastructure to affect these changes more rapidly.

Industrialization strategy

Some important suggestions were put forward as far as the stimulation of industrialization in the developed world is concerned. For instance, a so-called 'two-legged' policy is proposed actively promoting an efficient small industry and rural enterprise in the informal and traditional sectors of the economy.

But at the same time a modern industrial sector must also be cultivated with strong inter-industry and intersectoral linkages. Furthermore, whilst it is accepted that many developing nations won't be in a position to get a viable industrial sector off the ground in the foreseeable future, it is recommended that these countries be grouped into regional and sub-regional entities to achieve this goal.

Another important aspect of the industrial strategy is that developing nations must make every effort to increase the local processing of their primary exports. This in many cases may also imply a bigger engagement in other related activities such as transport, marketing and distribution.

Trade policy

Probably one of the most difficult parts of the new development strategy of the UN is the prerequisite that developed nations will for a start, have to reduce all the trade barriers to that part of their local industrial markets that are of interest to the developing nations. Moreover, it will be required from developed nations to supply developing countries with the knowhow and the capital funds to produce a larger share of the world trade in manufactured products. This is, to my mind, a vital aspect that will shape the future course of world economic and political developments. This is obviously a great challenge to the industrialized nations, but judging from experience in the more recent past they are still reluctant to make any significant move in this direction. There is of course one very important exception, *viz* Japan. Based on a recent survey in Japan on this subject, it is clear that Japan has already committed itself to this strategy. For instance, more than two-thirds of Japan's overseas investment is already in Third World countries. Furthermore, Japan has decided that a joint effort between Government and private sector is needed to win the support of these countries and acceptance of greater

Japanese economic involvement. It is Japan's intention to open up a certain portion of its domestic manufacturing market for newly industrialized countries. In respect of the very backward countries, Japan is to step up its development assistance quite considerably.

World energy position

As indicated earlier, unfortunately the petroleum price issue has over-shadowed the broader development issues that are at stake. In any event, the world is facing a real energy crisis and the problem will be to match available supplies with the long term needs. Structural changes are therefore called for both from the demand and the supply side. From the supply side, a very important direction that will have to be explored, is the massive application of capital resources and technology from developed nations to open up the vast potential energy supplies of developing nations. Once again, Japan has already embarked on this strategy as our own growing exports of coal to that country demonstrates. Furthermore, from the demand side, especially the developed nations who consume 80% of the world's energy production, will have to develop new energy-saving technologies. Whatever the eventual outcome of these expected developments over the next decade or so, the fact remains that the real price of energy is likely to rise over this period.

International economic institutional implications

From the above comments on the expected future course of the world economic development issues, one can be sure that especially the Third World nations will use everything in their power to achieve their stated economic objectives. Obviously, they will use their economic bargaining power as the major suppliers of raw materials to the developed world to try to bring about the desired structural economic changes. Probably the main vehicle through which they intend doing this, is by effective influence in the international economic institutions, mechanisms and bodies that co-ordinate and implement global economic development policies.

What this in effect boils down to is that the undeveloped world will try to change the policy planning and policy execution of these world bodies so that the workings of the international economy will be more in line with their development needs. This will mean more intervention in the 'free' play of market forces. Many existing international economic institutions born and bred in the developed world, like the International Monetary Fund (IMF), The World Bank, General Agreement on Tariffs and Trade (GATT) etc, will be the prime target of this strategy. For example, the Third World feels strongly that the IMF's basic distinction between balance of payments problems and structural development problems should be eliminated. They also feel that the World Bank's emphasis on project-development assistance is ineffectual and should be replaced by a development programme approach. We should be in no doubt that this is the direction in which the overall management of world economic activities irrevocably is being pushed. The basic aim will remain to facilitate the transfer of a much larger portion of the world's economic growth to the developing world. Every indication is there that the Third World is effectively grouping themselves and strengthening solidarity and co-operation amongst themselves in order to achieve these aims.

South Africa's planning perspective, 1980 – 2000

The main reason for having given a broad perspective of the expected economic developments in world context for the next decade or so, is, of course, that this will be of vital importance to South Africa's own future and will determine our policy strategies towards the main issues that are at stake. Probably the first important question we would have to ask ourselves, is whether this country sees itself as part of the power bloc of developing nations of the world and if so, whether we are in harmony with their basic aims and the proposed methods of achieving it. This is not an easy question to answer, but it would appear that we shall ultimately have no choice. Moreover, it would probably not be in our long term interest to try and remain outside this arena of bargaining and power play. It is not the intention to try to motivate a specific strategy of how to deal effectively with the prospective world economic and institutional changes that lie ahead. South Africa's own economic structure and involvement with the world economy seems to point towards the fact that we are fundamentally a developing nation — maybe part of the higher echelons. We are fundamentally exporters of raw materials (including energy) to the developed world and importers of secondary and tertiary products from these countries. Up till the present, South Africa has been a net importer of foreign capital for development purposes, although fortunately, we have not yet required development assistance.

Even after 50 years of active industrialization this country is still not in a position to establish itself as a major exporter of manufactured goods. So, we still have a grave need to get hold of a larger share of the world market of manufactured goods which is largely situated in the developed world. We, therefore, have every reason to support the Third World's aim of acquiring roughly 25% of world industrial production by the year 2000. In actual practice this would mean that this country's strategy must be to beneficiate its raw materials for export purposes as far as is economically feasible and also important, that the industrialized world must be more willing to accept that a larger part of the value added of the final products consumed in these countries, be produced in this country. Furthermore, in pursuing its import substitution policy aims, an effort must be made to combine this with export programmes for the purpose of securing economies of scale.

Based on South Africa's own development needs in the remaining part of the present century, it is felt that it coincides to a very large extent with that of the developing world. South Africa's economic planning objectives and priorities should therefore be very much influenced by this reality and first of all should be aimed at securing the best prices for its raw material exports over the longer term, but certainly not by using the disruptive tactics of OPEC. One important way of doing this is of course by increasing the benificiated part of our raw material exports which in any event is less liable to large cyclical variations. Moreover, if at all possible, the South African strategy should be to attract capital and know-how from developed nations for this purpose and even aim for more secure marketing arrangements.

There are many other aspects of this whole problem which, to the authors mind, point towards the fact that this country should increasingly associate itself with the Third World.

Lastly in this connection, it should be stated that although this country, in global terms, should see itself as a developing nation and should act accordingly, in the Southern African context, it is the other way round. In other words, the development role that this country will have to fulfil in our part of the world coincides perfectly with that of the developed or highly industrialized world. We can, therefore, expect that the same pressures that are being brought to bear on the Developed World from Third World countries will be launched at the RSA in the Southern African context.

The author is optimistic, however, that in regard to the more localized areas of concern, South Africa in recent years has gone through an intensified process of re-thinking and re-evaluation of its development role in Southern Africa. Those parts of the development strategy that have already come to the fore, shows a striking resemblance to the development strategy proposed by the Third World. Probably the most important aspect of this strategy is that the main development thrust will have to come from a more acceptable regional spread of economic activities which will make it possible for the less developed regions to share in a greater part of the total market of primary and also manufactured goods of the Southern African region. South Africa, which, relative to these areas, is a capital surplus country, will of course have to supply the necessary funds and know-how to these countries not only for project finance, but also for overall development assistance. It has been mentioned that an important leg of the Third World strategy to acquire a more meaningful part of world economic development, is to group themselves into sub-regions that will be more effective in bargaining with developed nations. Again this is in line with the Southern African development strategy that is being pursued by our Government where considerably more emphasis is being put on the need for closer co-operation at the institutional level for the purpose of more effective regional development. Even the proposed establishment of a Southern African Development Bank is well in advance of the proposed new order of the global development strategy.

To conclude and summarize it can be said that from a strategic policy planning point of view, this country is already in the process of bracing itself for the rough ride in the economic world over the next decade or more. This country would still have to make a few difficult decisions on what its proper policy stance is going to be in order to handle effectively the global as well as the more localised development issues that will confront it.

Recommendations of the first report of the inter-departmental committee of inquiry into certain specific pension matters

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Summary

– In considering the quantum of a member's 'interest' in a Pension or Provident Fund, the Committee took as starting point the facts that this interest is —

  * zero — at entry;

and * the capitalized value of the full pension as stated in the rules of the Fund — at retirement;

— and proceeded by considering the best way in which to link these two points. The obvious choice for a final salary scheme with a pension factor of e.g. 1/60 is a formula of the type —

$$v^{n-t}\frac{t}{60}S\,a'_{65}$$

where v^{n-t} = the discounting factor from retirement to date of calculation;

t = number of years' service to date of calculation;

S = salary at date of calculation;

a'_{65} = the value of an annuity of R1 per annum from retirement.

– The deliberations thus devolved upon the choice of two rates of interest, one for v^{n-t} (i.e. before retirement) and one for a'_{65} (i.e. after retirement). In evidence the Committee heard suggestions from major bodies of 5%/5% and 7%/7%. The Committee rejected these (unmotivated) suggestions, i.e. on the following grounds:

Post-retirement

– An artificially low rate (i.e. low relation to actual rates) implies an increasing annuity which is not envisaged in the rules of the Fund. This was considered unfair to Funds.

– An artificially low rate invites selection against the Fund in the shape of resignations just prior to retirement. This was considered both unfair and detrimental to Funds.

Pre-retirement

Although the Committee could not support a projection of salary as such, it was concerned about the effects of inflation on the calculated member's interest. Bearing in mind that the retirement benefit is framed in terms of final salary, that it is not proposed to project the salary, and that high actual rates of interest are brought about by inflationary economic conditions, it was thought unfair