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Article

Some insights into British-South African trade relations

South African Journal of Business Management

Provided in Cooperation with:

University of Stellenbosch Business School (USB), Bellville, South Africa

Suggested Citation: Leahy, John (1982) : Some insights into British-South African trade relations, South African Journal of Business Management, ISSN 2078-5976, African Online Scientific Information Systems (AOSIS), Cape Town, Vol. 13, Iss. 1, pp. 42-44, <https://doi.org/10.4102/sajbm.v13i1.1171>

This Version is available at:

<https://hdl.handle.net/10419/217791>

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Distribution

This, I think, is in many ways the key to the food consumption challenges which face South Africa.

I would like to quote from Professor Hawthorn of the University of Glasgow. He said in a lecture which he gave in September 1980: 'I always have too much on my plate, I habitually overeat, I have never known real hunger — the same must go for almost everyone in this audience. How can we understand the needs and attitudes of the one in four of our fellow human beings who know what real hunger means by bitter experience? It is even more difficult to understand the one in sixteen of our fellows who are permanently semi-starved. There is something obscene in this unnecessary deprivation. It is not in itself a problem of food science, its roots are political, economic, geographical and educational.'

I think in many ways this says it all about distribution. In effect there is plenty of food in the world, but it is not getting to the right place at the right time. There are developed nations where the physical size of man alone bears witness to his being well fed, if not overfed. But there is waste at all levels of food production.

There is waste at farm level, particularly in this country associated with problems of field heat. There is waste at the green grocer and supermarket level where refrigeration storage is inadequate. There is waste in transportation. There is waste in the home, the hotel and the restaurant. In South Africa we need to educate people, especially in the Black territories, as to when they should plant crops, when they should harvest crops, when they should water crops. After all, the frozen food companies throughout the world now tell their contract farmers exactly when an item should be planted and harvested, etc. The same must happen in our Black territories. We must also look very closely at transport and consider whether the current restrictions on food transportation by the railways are necessary or appropriate.

Subsidies

Compared with many other economies, subsidies and control do not play such a major role in the Republic of South Africa, but although that role is diminishing as a percentage of total food consumption value, it is nevertheless significant.

It is a role that, I believe, and many producers believe, has contributed to technological inefficiencies and outdatedness particularly within the area of primary production. If South Africa is to meet its challenge to produce food more effectively, it has to use throughout the industry the very best and most modern information and techniques. This necessarily means change. It means larger farms, it means more capital intensive farms, and to some extent the subsidy and controls needed to soften the blow of the competition necessary to bring about change, and rapid change.

I would suggest that subsidy does have a role in helping to support changes in agriculture. Changes, for instance, from maize to wheat or from sugar to soya. Possibly for short-term specific objectives, subsidies can help, but as a long-term element within primary agricultural production the role must be questioned.

Conclusion

In conclusion, therefore, I believe we should be optimistic about the challenge offered. If we meet that challenge successfully, Southern Africa could and should remain one of the world's exporters of food. However, food and food production, like much else in our modern

world, is linked inextricably to energy. The changes and advances which I have outlined can only be achieved if the additional energy requirements can also be met. When looking toward the USA's type of technological advance, one must also remember that the advances there are dependent on the United States consuming 33% of the world's total energy for a population representing 6% of the world population.

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Some insights into British-South African trade relations

Sir John Leahy

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Speech delivered at the South African Association of Business Management lunch in Johannesburg on June 23, 1981.

Traditionally, ambassadors have not had much to do with business; but times have changed a bit. In Britain our diplomatic service has become very much involved with business, that is with the promotion of British exports. Among the many functions that we perform we give a very high priority to commercial work of this kind. In South Africa we do this principally in Johannesburg, where we have a large commercial staff in the Consulate-General, and in Cape Town, and to some extent in Durban.

Many of those engaged in this work are local residents who know the South African market and have a good range of contacts. Continuity is very important in this kind of work.

What exactly do they do? Their prime function is to identify and assess South African demand for particular products and to bring these to the attention of potential British suppliers. I suppose it could be said that as much as anything they are engaged in a form of market research. Most emphatically they are not involved in the business of trying to sell particular products. They are not equipped to do that. That is the job of the businessmen themselves. We may try to lead them to the water, but we cannot make them drink.

In fact, British exports to South Africa continue at a very high level. Last year we sold to you goods worth R1 740 million, an increase of 39% on 1979. The net trade balance in our favour was R350 million. I might also add in passing that despite one or two instances of the sale or reduction of British company assets in South Africa, direct British investment in this country still accounts for about half of all direct foreign investment in this country.

To go back to exports — and here I am speaking generally, not just to South Africa — it is sometimes overlooked in all the welter of other information about the British economy, that in recent years we have been exporting twice as much per head of our population as the

Japanese, and three times as much as the Americans. Not a bad performance for a country which is sometimes said to be going down the drain. Napoleon was obviously not so wide of the mark when he called us a nation of shopkeepers.

In terms of management, however, I would not claim that in the British diplomatic service we have any particular expertise to impart to others. On the contrary I am inclined to think that we have not paid sufficient attention to the intricacies of management.

In my own case, I had the good fortune to be detached for three months to IBM some years ago. I was in one of our Personnel Departments in the FCO at the time. It was an eye-opener to me to see what modern tools and systems could be applied to the management of people and the running of a business.

Of course these tools can be carried too far at times. Some of you may know the story of the business efficiency expert who went to an orchestral concert. He was representing the chairman of his company who either could not go, or had no ear for music. The next morning the chairman asked him how he had enjoyed the performance — which had been of Schubert's Unfinished Symphony. Instead of a few plausible observations, the chairman was handed a memorandum which read:

- (a) For considerable periods the four oboe players had nothing to do. The number should be reduced, and their work spread over the whole orchestra, thus eliminating peaks of activity.
- (b) All the twelve violins were playing identical notes. This seems unnecessary duplication, and the staff of this section should be drastically cut. If a large volume of sound is really required, this could be obtained through an electronic amplifier.
- (c) Much effort was absorbed in the playing of demi-semiquavers. This seems an excessive refinement, and it is recommended that all notes should be rounded up to the nearest semi-quaver. If this were done it should be possible to use trainees and lower-grade operators.
- (d) No useful purpose is served by repeating with horns the passage that has already been handled by the strings. If all such redundant passages were eliminated, the concert could be reduced from two hours to twenty minutes. If Schubert had attended to these matters, he would probably have been able to finish his Symphony after all.

To get back to the topic of management: there was a time not so long ago when more generally, and not just in the diplomatic service, we British went in for what might be called management by the seat of one's pants. We relied more on gifted amateurism than we did on professional training. It was all right, of course, to be professional in the professions, such as the law or medicine, but business was most definitely not a profession. Too often in fact it was a refuge for those who could not think of anything better to do. One, so to speak, drifted into the boardroom.

It is amazing how well we got along in this way. We may have been amateur, but we must have been gifted too. Be that as it may, we all know that the world has changed and we have had to change with it. Just as pilots can no longer fly by the seat of their pants and need a whole galaxy of instruments to get their aircraft from A to B, so we have had to equip ourselves with a wide range of management tools. We all have to be professionals now.

I am not flattering you when I say that I have been

most impressed since I have been here by the quality of people I have met in South African business and industry. There are by any standards some very high calibre people who need not fear comparison with anyone. The evidence is all around us in the healthy state of the South African economy today.

In many ways, of course, the performance of the South African economy in the past three years has been the obverse of the performance of the British economy. While we have been suffering a recession you have been enjoying an unprecedented boom. But just as the impact of the business cycle promises better times ahead for Britain, the cyclical slowing down of the South African economy — a natural and predictable occurrence — seems to me to be causing undue alarm and despondency in some quarters here, with the danger of talking the South African economy into a lower level of performance than its impressive inherent strength will surely bring about. After all, economists here are talking not of a recession, but of a slowing down in the rate of growth from 8% in real terms in 1980 to perhaps 4–5% in 1981. Why therefore the despondent talk? We in Britain would be over the moon for a growth rate half of what some appear to regard as a disappointing achievement for South Africa in 1981.

What has in fact been happening to the British economy in the past year or two? There is no denying that the British people have been going through a difficult period. Stringent action by the Government to cure chronic and long-standing economic ills has coincided with perhaps the most severe economic recession which the world has suffered since the 1930s. That's our bad luck. But it is sometimes forgotten that other countries too have suffered — some 10 million workers are currently unemployed in the European Community alone. And, of course, that same world-wide recession has touched South Africa — most dramatically in the recent decline in the gold price.

The British Government's prime objective since it came to power in May 1979 has been to reduce — dramatically and permanently — a disastrously high rate of inflation which has deterred investment and economic expansion and has whittled away the value of the personal savings of many ordinary Britons. Cutting inflation remains the Government's top priority and to achieve this it has pursued resolutely a financial and monetary strategy aimed at a progressive reduction of money supply and the public sector borrowing requirement needed to fund the budget deficit. A concentrated form, if you like, of Professor Horwood's policy of economic growth through financial discipline. Of necessity it is a tough and painful formula but one which is unavoidable to bring about needed change in an economy which had become somewhat self-indulgent.

The British Government has never denied that the process of change would be painful, nor that the faint-hearted might lose their resolve along the way. But throughout the process the Government has enjoyed the determined support of most of British industry, despite the harsh and sometimes agonizing decisions which many individual managers have had to face in running their businesses in the past three years.

So where do we stand three years into this strategy? Briefly, I think we are now at a turning point. Both the British Government and the British people can now take heart that the worst is over, and we can look forward to a progressive, if slow, improvement in our economic lot.

Why do I say that? First inflation. No-one would yet

argue that this has been beaten for all time, but the rate is now down from a peak of 22% to 12% year on year, with every prospect of reaching 10% in the last quarter of 1981 and single figures in 1982. Some might argue that the recent fall in the parity of sterling against the dollar will give a new impetus to domestic inflation by raising raw material and import prices. But these are only one factor in inflation; other and more important determinants augur well for a lower rate of inflation as the year advances.

On two of these in particular the Government strategy has been notably successful. Money supply which even as late as in 1980 was still growing too fast, is now well within the Government's target growth of 6–10% in the period up to April 1982. Secondly, the public sector borrowing requirement seems at last to be moving in line with the Government's target for the current financial year.

In addition, there has been a most encouraging reduction in the level of pay increases in the current wage bargaining round, with pay rises averaging under 10% and settlements in manufacturing industry being between 8–9%. This more realistic and responsible view of pay settlements by both trade unions and workers is especially pleasing given the critical and decisive influence of labour costs on the rate of inflation.

In passing I would ask you to note that, whatever the popular impression of strikes in Britain, the number of strikes so far this year has been at an exceptionally low level. In fact, the British strike record has over a period been less fearsome than is sometimes suggested. In the last decade Britain lost an average of less than half a day per year per employee because of industrial disputes — marginal compared with the losses from sickness and other causes. Some 95% of British manufacturing plants have never had an industrial dispute, and Britain comes only halfway down the ILO league table of days lost through disputes. And in 1980 alone the number of stoppages in Britain was the lowest for 39 years — 1 262 strikes compared with over 2 000 in 1979. We lost 12 million working days from strikes compared with around 300 million working days lost through sickness. And so far, as I say, 1981 promises to be even better in this respect.

Then there is the much-vexed and much-publicized problem of unemployment. No-one can be happy about a situation where one British worker in ten is out of a job. For each individual person concerned unemployment must be regarded as a demoralizing and even degrading

experience. But unemployment is not a phenomenon confined to Britain, as I mentioned earlier. I wonder, for example, what we would find the full extent of unemployment to be in this country if we delved deeply into the subject? So far as Britain is concerned, there are now signs that the rate of increase in unemployment is slowing down and we can expect that trend to continue as the economy picks up. Even so, we must also recognize, I believe, that in the Western world generally unemployment is likely to remain at a fairly high level for some time to come.

I could go on showering you with statistics about the UK economy — labour productivity, for example, rose 3% in 1979 and 4% in 1980 (compared with 5% in South Africa in 1980, calculated, of course, from a much lower base) but that is not my purpose.

Rather may I simply leave you with the thought that for all the profusion of conflicting and often contradictory reports emerging from the UK about our economic situation, there are increasingly clear signs visible to both Government and industry that the tide is at last beginning to turn for the British economy.

You may say that I am an optimist. Well, yes. For me the half-full bottle is always more attractive than the half-empty one. At any rate I share the growing confidence apparent in many quarters in Britain as we begin to emerge from the impact of a world recession and a simultaneous restructuring of the British economy.

That is good news for Britain. But it is also good news for South Africa because, as I have already said, we are strong trading partners. Our commercial relationship is founded not merely on sentiment but also the sound commercial judgement of many individual businessmen both in Britain and South Africa. Although, as the British economy recovers, yours may be entering a temporary period of what the economists tactfully call 'consolidation of past growth', I believe we can look forward to a further strengthening of our commercial relationships. I feel sure that we British shall continue to be important suppliers of plant and machinery for your expansion programmes in both the public and private sectors, that British technology and know-how will continue to play its part in the evolution of South Africa's increasingly sophisticated industrial infrastructure and that, last but not least, British personnel will continue to make an important contribution at all levels of industry to the development of South Africa's enormous potential, in which we, like you, want to see all South Africa's peoples share.