

9. JACOBS (ECONOMIC ADVISER TO THE CISKEI)

Development in the Ciskei was financed by the Ciskei government and a number of other bodies including the Railways and Escom. Their total current expenditure - not capital - in 1977 was R81 million. Capital investment was R30 million. The Ciskei government met only about 21 per cent (or R10 million) of its expenditure from its own resources. The balance came from the South African government.

Customs and excise duty at present paid to the South African government would accrue to the Ciskei government after independence. The Transkei had accepted a formula which adopted the place of consumption as determining the recipient of the excise duty. The highest amount of duty was on durable and semi-durable goods, but these were not widely used in the homelands, with the result that duties accrued were not great. The Ciskei would be wise to negotiate a different kind of formula. Another problem was the lack of control over the flow of goods. This meant that consumption had had to be estimated for the allocation of duty payments.

In order to increase the Ciskei's revenue base from internal sources after independence various taxes could be considered. At present pay-as-you-earn deductions were remitted from the South African to the Ciskeian government in respect of workers in South Africa registered as Ciskeians. Following the example of Mozambique and other countries, it seemed advantageous to increase indirect taxes as much as possible. Direct taxes were difficult to collect in the homelands. This would lead to inflation, but collecting the maximum taxes might be preferable in an underdeveloped area such as the Ciskei.

Agreements between South Africa and the homelands would have to be reached not only on taxes but on labour agreements and similar matters to ensure that money kept flowing towards the underdeveloped areas.

Of the total wages earned by Ciskeians 44 per cent was earned by commuters, 25 per cent by migrant workers and only 31 per cent by employees in jobs inside the Ciskei. The commuter labour force was growing faster than the migrant labour force. Migrants were sending about 20 per cent of their income back to the Ciskei, while commuters were spending about 70 per cent in the white areas and 30 per cent in the Ciskei.

About 30 per cent of the labour force was employed inside the Ciskei. Citizenship was important, economically too. For example, if Ciskeians working on the Witwatersrand changed from being Ciskeians to being permanent residents of South Africa the taxes remitted to the Ciskei would be reduced.

Job opportunities within the Ciskei were not increasing at anything like the rate they were in the border areas - i.e. the areas to which residents commuted for jobs. Employment within the Ciskei at present was no more than 16 000 jobs.

Agriculture would remain the principal economic sector in the Ciskei, but the Page 13 trade and services sector also deserved immediate attention. While industrial development was essential, he did not think it was the important sector to develop. This was because the inputs were all imported and the only contribution made to the Ciskeian economy was the labour component.

The trade and services sector could be boosted with relatively little capital expenditure. The emphasis should be on trading with as few restrictions as possible - especially licences, occupation rights, and so on.

A better determinant of the success of economic development was the production achieved rather than the number of jobs created. The potential increase in agricultural production was three to four times the existing level without any change to existing land tenure systems. The increases forecast assumed only correct land use, appropriate crop strains and the correct use of fertilisers and weed killers. The problem at present was that agriculture was the responsibility of women, children and old men. To achieve the levels forecast the men must be got back on to the land or the women must be trained in new techniques.

The increases forecast were possible within the existing tribal system, but a really long-term solution required abandoning tribal techniques in favour of fewer farmers and farms and more mechanisation. The short-term objective was to get the man back on the land during the planting season - that could quadruple production - and the long-term objective was to get many of the people off the land and re-arrange land tenure systems.

The informal sector was also due for expansion - and this included handicrafts, pirate taxis, herbalists, shebeens, dagga and similar activities. It would be necessary to keep the sector informal and the restrictions as few as possible. Returning to major agricultural production increase, the key would be a market system. At present there was no urge to produce more than one could consume as there was no market mechanism to sell the surplus. If a market were created the demand for better hybrid seed, fertiliser and a range of improved farming methods would soon be created. Another bottleneck was the inadequate extension service. Training extension officer would soon be a major activity at Fort Cox. Some tribal cooperatives had been developed and this had led to mechanisation and some saving in the cost of inputs, but no comparison was possible with Israeli moshavin or kibbutzim. His view was that agricultural policy should at present be aimed at encouraging tribal authorities to increase production rather than in the development of a few capital-intensive schemes. One project at present was the identification of soils in a particular tribal area, then classifying them and identifying the potential of the land. At that stage there was a good chance that particular forms of production could be "sold" to the tribal authority.

Priorities for the development of the infrastructure as a whole would be the connection of railways and power lines to the industrial areas. These should

not be confined to Dimbaza. However, Middledrift was only a proposition if one took the existing Ciskei as a starting point and divorced from the remaining border areas. If the consolidation of the Ciskei were to be reviewed and to include certain of these regions, then the industrial growth points would also need to be reviewed. First priority for incorporation from an industrial point of view would be Berlin followed by King William's Town. Berlin already had its infrastructure ready waiting. Two factors to bear in mind when considering incorporation of an area were the switch of labour force from outside to inside the Ciskei - at present 44 per cent of the total labour force was employed in the border areas - which would improve the political climate, and the need to maintain growth in areas so incorporated. Berlin offered the best hope of this as the infrastructure was ready and development would be relatively simple. If a major town such as East London were incorporated then economic activity would almost certainly decrease for the following decade or two. Any decrease in economic activity would affect its own labour force because, as already stated, 44 per cent of the labour force was employed in these areas. The present political structure in the Ciskei was not suitable for the incorporation of a town the size of East London or even King William's Town. At present the only second tier government in the Ciskei was in Zwelitsha and Mdantsane which had town councils but no executive power. Incorporating towns and cities with no secondary level of government to run them would be disastrous. Professor Page had proposed giving the councils power to legislate but no decision had yet been made.

The insecurity of white capitalists could only be allayed by the activities of the black government. Political stability was essential. It would have to be a gradual process.

Examples of towns that suffered economic decline after incorporation included Umtata and Butterworth in Transkei. Maintenance of the status quo would be insufficient. More development would be essential and the basis for that development would need to be stable. Before incorporation the necessary constitutional framework would have to be devised and black people would have to be trained to run the show. To gain perspective it should be realised that the economy of East London was far greater than that of the Ciskei. The corridor area, if incorporated, should be given over mainly to agriculture, except for the areas that were already industrialised. Finally, the estimated capital cost of developing the new capital at Alice would be some R100 million.