

Inside Corporate South Africa

It is as much a priority now to have larger black empowerment deals and create an inclusive economy in big business as it is to promote small business entrepreneurs and the informal sector.

An interview with Clem Sunter

Born in Suffolk, England, Clem Sunter is a long-time executive of the Anglo American Corporation. He introduced Anglo officials to "scenario planning," borrowed from Shell Oil, to help project trends in the gold market, and became famous in South Africa for his scenario presentations. Sunter presently chairs Anglo's Gold and Uranium Division, the largest gold producer in the world, and sits on more South African corporate boards than any other person. Portions of this interview previously appeared in the German publication *Folio*.

Multinational Monitor: *Looking back on the past decade, since you began doing political projections and scenario planning for Anglo American, did you always expect apartheid to meet its demise at the negotiating table?*

Clem Sunter: In the mid 1980s, there was still a political belief that one side could impose the future on the other side. I think we have been vindicated by saying it had to be negotiations. And I think we have also been vindicated by saying that the chemistry of negotiation changes peoples' perception in the negotiating forum. The devils' horns disappear from people as they see each other as ordinary people on the other side of the table.

I just know from previous experiences that the chemistry really does change if you are sitting opposite union leaders and have a cup of tea with them and get to know them a little personally. In my case it was with Cyril Ramaphosa [then mineworker union leader, now ANC general secretary] and Marcel Golding [now a leading ANC candidate for Parliament]. You see them as reasonable guys, and they've got their priorities and you've got yours. It's much easier to try and find a plausible compromise between those conflicting interests if you know the people.

MM: *Do you think business is ready to extend this experience*

with trade union negotiations into a larger national social contract?

Sunter: There will still be different interests. And in a country which has had a social contract, such as Germany, it's fallen apart at the seams over the last year, purely due to economic pressure and the fact that Germany now has the highest unit wage cost in the world and very generous holidays. So the social contract has led to a situation where the Germans are in trouble. What I prefer to see is each industry in this country having a decent relationship between employers and unions rather than a grand national social contract.

MM: *The recently-announced Reconstruction and Development Program (RDP), a policy framework for the first African National Congress government, has been described by some observers as a social contract.*

Sunter: I think the objectives in the Reconstruction and Development Program are very laudable, and correctly prioritized. Education, particularly, is one of the main ingredients of what we called a "winning nation." Where we part company is on the means to achieve the ends laid down in the RDP. We certainly feel that quite a few of those aims can be achieved with a fair degree of *laissez faire* economics rather than government intervention.

MM: *The problem is still the headstart whites have had in the economy. Could you comment on your advocacy of black empowerment through what you call a "dual logic," where big and small companies play very different roles in the economy?*

Sunter: Unfortunately, when I originally wrote about the dual logic economy, some people misrepresented it by saying that big business should be reserved for the current establishment and new black entrepreneurs should be part of the second logic economy of small businesses. I did not mean that at all; I feel that it is as much a priority now to have larger black empowerment deals and create

an inclusive economy in big business as it is to promote small business entrepreneurs and the informal sector. There certainly was not supposed to be any racial division of the dual logic economy.

It's just that in the world today, there is this incredible problem of unemployment. And it's because big business everywhere is rationalizing its work force on the basis of automation on the shop floor and also in the office. Which means that the second logic economy of small business and the informal sector is going to have to take up the slack. Because the other area, the civil services of the world, are also under pressure because governments are running budget deficits. If big businesses aren't offering the jobs that [they] did in the 1950s and 1960s and governments aren't either, where are people going to be employed? It's going to be in small service industries and also small manufacturing businesses.

MM: *Do you think that ANC policies toward business will instill confidence in foreign investors?*

Sunter: Yes, I think that the nature of the debate has changed dramatically over the last two years from one with rhetoric expressed on the one hand, about the benefits of free enterprise, and on the other hand about abiding by the ANC Freedom Charter [a left-leaning economic manifesto drafted in 1955]. The debate now is over the optimal means of getting there. It has become a technical debate, and concerns the financial resources we have available and how they can be utilized. Because of the changing nature of the debate, it is quite obvious that the ANC is seeking the views of the business community as well as people overseas, in arriving at its ultimate policy. I think that this country will be very conducive to foreign investment, providing we don't enter a period of major turbulence.

MM: *There was a bit of ideological debate recently when the ANC announced its position that mineral resources should be taken back under state control, however.*

Sunter: Yes, but then again, what was being suggested was certainly not nationalization of the mining companies. The ANC was suggesting that broad objectives to be pursued are: greater access to mineral rights in this country; small mining development; where possible, one should go downstream on mineral resources and add value; and that one should have broader ownership structures in major mining houses, and also, of course, broader management structures. You can't dispute any of those objectives — it is a question of how one should achieve them. For example, one of the points the ANC made was on marketing minerals, which has been quite a controversial subject. [Concerned about capital flight through mineral pricing, the ANC briefly advocated a state minerals marketing board.] We certainly feel that we're a hell of a lot better qualified to go overseas and try [to] persuade customers to buy our coal than a government unit could be. But it's been made very clear to us that this is not what the ANC have in mind — they

propose an agency which will audit transfer pricing.

MM: *This is transfer pricing in which mining houses are alleged to funnel money to Switzerland, mainly Zug, by pricing the minerals cheaply and sharing profits with agents there.*

Sunter: That is what is being said. But I don't think there is evidence of that. Indeed the South African Reserve Bank already has powers to audit that kind of transfer pricing. We can argue about that, and I think that we can arrive at a practical solution. But what I think in many ways has been wrong with the response to the proposals laid on the table by the ANC, is that the proposals have been misrepresented as being more than they are. ANC [officials] have not actually said they want to have single channel state marketing of minerals. In fact they've made it very clear that they are not thinking of confiscation of mineral rights. They are thinking of a method of trying to free [the rights] up so that foreign mining companies can be attracted here, and also so those mineral rights can be made available to small mining enterprises. Again, if that's the objective, the debate between the mining industry and the ANC must be over what is the best way of achieving that objective.

MM: *The ANC and trade unions have also questioned some of the social practices in the mines. Will conditions take a qualitative step forward with a new government?*

Sunter: Yes, obviously our policy over the last few years has been to remove discrimination in the workplace and to proceed on a program of affirmative action that we think will lead to long-term results. We have schemes whereby we put black scholars through courses which are relevant to the mining industry, such as mining engineering, metallurgy and commerce, and bring them in as management trainees where they have mentorship and special development. We feel that is a totally authentic form of affirmative action. The other area is basic occupations underground. Indeed we now have black shift bosses. Because we have rid ourselves of job reservation, there is now a natural evolution up the line underground, which is fantastic. Actually, we have a lot of talented black team leaders who can be turned into shift bosses. Those are the areas that we are trying to pursue at the moment to overcome whatever racism has existed in the mines in the past.

MM: *What about the migrant labor system, whereby mineworkers go home from single-sex hostels to the rural areas only at Christmastime. This system has been criticized as inhumane, and as a major factor contributing to violence?*

Sunter: What we have tried to do on that one is to offer all our miners the choice of where to live. We have a home ownership program and we pushed that in the past, quite aggressively. But the problem about it was that mines by their very nature are wasting assets, and in the towns that surround the mine the property values may well decline.

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In many ways the South African economy has reflected the world economy: 15 percent are in, and 85 percent are out. So the challenge that is facing us is exactly the same as that facing other countries: how are they actually going to bring in the rest?

You don't want to press people into a bad investment. So when the gold price went down in the early 1990s and it looked as if the lives of our mines were shortened, we stepped back from marketing that homeownership scheme as aggressively as we had done. We now have a living-out allowance, so that if a man does not want to live in one of our hostels, he can actually go and rent accommodation in the local townships. We want to overcome the problem of hostels more by offering people a choice, rather than building a lot more company housing which we feel is beyond our financial resources. Obviously, we have got to do something to enhance our old hostels and there are hostel upgrading programs going on. But the philosophy is to try and offer our employees a choice.

MM: *In one incident, more than 80 people were killed at one of your mines. Are there any solutions to the violence?*

Sunter: That was a dreadful incident. It was caused by problems of unions asking for a stayaway, to do with the strike against the value added tax. It did lead to clashes between rival interest groups. Touch wood, it hasn't happened again. But that is one of the reasons one wants to broaden worker housing from hostels into residential areas.

MM: *Where is Anglo positioning itself in the world economy?*

Sunter: Mining will always remain Anglo's core business. We are trying to extend our mining operations. We already have substantial business in South America and in Australia. We have explored in Europe, and in Russia we have an office where we are seriously looking at several possibilities. In Russia, the problem is the chaotic circumstances make it very difficult to seriously put money in at the moment.

MM: *Earlier you argued that Russia would be key to the world's future.*

Sunter: In 1985, when we did the study, we said that the arms race was unsustainable, and therefore we called it the "Imperial Twilight Scenario." It had to come to an end and of course it did. We never portrayed the Soviet Union as a major economic player, but in the early book, we didn't pick up the fact that it was just about to fragment. I think the other flaw in that original analysis was that we overestimated the strength of the Japanese, who are looking a lot more ordinary now.

MM: *Can you trace the way your scenarios affect Anglo's positioning, and the impact of mistakes?*

Sunter: We picked up this process from Royal Dutch Shell, and if you talk to top Shell executives, they will tell you that scenario planning doesn't affect any specific decision on investment. What it does provide is a kind of background hum, and that is what it has done in our case too. I wouldn't point to any particular decision on an investment in a country or mineral or business activity, of which somebody said, "Ah, as a result of that scenario, I

think we should go ahead with this investment."

Once a year we present updated versions of the different scenarios for the world economy, and then once every five years we have a go at looking 10 to 20 years ahead. And that is assimilated by the operating management and one just hopes that naturally, as they make their judgments, they've got that additional information. It is a subtle influence rather than highly specific.

MM: *Would you comment on your observation of trends such as structural global unemployment, which on occasion has been characterized as "global apartheid," with people huge numbers, in country after country, just not able to get into the market as workers or as consumers?*

Sunter: That is why I talk about the "poor you billions" and the "rich old millions." In many ways, the South African economy has reflected the world economy. The ratios are more or less the same: 15 percent are in, and 85 percent are out. So the challenge that is facing us here in trying to create an inclusive economy, is exactly the same as that facing other countries: how are they actually going to bring in the rest?

MM: *Is South Africa's business community able to meet that challenge?*

Sunter: One of the points I make very strongly now is the myth that high walls will save us in South Africa. It really requires a totally different mindset on the part of business to reach over walls and help people on the other side have reasonable lives. I don't think that that can be done as a national strategy. It has got to be businesses doing within their own communities.

I went to the Western Cape to talk with business leaders, and I asked them, "What are you guys doing because you get on a plane to Johannesburg or New York to clinch a contract. But you are not doing anything to place contracts in Khayelitsha and Guguletu [Cape Town black townships] to stabilize the Western Cape. You look at that freeway to the airport [which goes past two townships] — which is patrolled by soldiers on top of the bridges — and it's clear that maybe you aren't going to get to the airport to get to Johannesburg or London. One part of your priority must be to create links between small businesses and yourselves because you're the guys with the financial clout and organization in Cape Town to do it."

Businesses here are just jolly well going to have to have social responsibility programs.

MM: *Are they listening to you?*

Sunter: Some of them listen politely, and just go back to business. One of the things I find frustrating is that if I talk about some of these issues — like how do you create a small business unit in a company — I'm immediately ushered into the office of the social responsibility manager as opposed to the managing director. I think people are beginning to get the message, but I'm not sure that they have actually done anything about it. ■