

## **Transcript of an interview with Chris Liebenberg, Somerset West, 1 December 2015**

### **Pre-1994 interactions between ANC and business**

TT To what extent were you aware of interaction before the 1994 election between the business community on the one hand and the ANC and Mandela on the other? What expectations there were?

CL I first met President Mandela at a dinner organised by Sydney Frankel, the stockbroker. Sydney invited a group of Johannesburg businessmen to a dinner to meet Mandela. At that meeting Mandela really went hard at the need for nationalisation of banks, and being a banker I didn't think that was a very good idea. But to have an argument at that meeting where there were so many people with Mandela in the minority was not going to get very far, so the next morning I asked for an appointment to see him. That was the first time, apart from that dinner meeting, that I got to meet him face-to-face.

I was very surprised that I got the appointment so easily, but realised they must have known something about me or they wouldn't let me into Shell House. I then told him what I felt about the nationalisation of banks. He said to me, and I thought it was a bit of a fob off, 'What you say is very interesting, but would you mind giving me a memorandum that I can study.' I agreed. What I thought he was saying to me was, 'Look, you are talking a language I don't understand; give it in writing to me so I can pass it down the line for people to look at'.

At that stage I was the chief executive officer of Nedcor. We gave him the memorandum which was compiled largely by Merton Dagut, our chief economist. I gave it to Mandela the following day and then asked him, 'How do we follow this up?' He said, 'Well, you organise a meeting'. We then arranged a dinner between him, Trevor Manuel, Merton, myself, the chairman of Nedcor, Dr John Maree and Winnie Mandela (who we were told may also attend but did not).

We talked generally around economic policy but very little about the nationalisation of banks. Following that meeting he phoned me a few times and then he phoned more and more often and we became closer as time went on. I felt I was becoming his financial go-to man when there were financial issues involved or a need to arrange for funds to be collected or deposited. He would phone me and ask me how to go about it. He was understandably very inexperienced in business procedures and I think relied a little on me to help him.

### **Mandela's call**

Out of the blue, in 1994 - I had just retired from Nedcor as chief executive having reached retirement age and was then chairman of the Credit Guarantee Insurance Corporation - in the middle of a board meeting I got this phone call, saying the president would like to see you.

It was Mandela saying, can I see him that night. I said, 'Sure, what time would you like to see me?' ' '

'Well, I have a dinner with Mitterand,' he said, 'can we make it after that dinner?' 'That's fine', I said, thinking that he was in Johannesburg. It was four o'clock in the afternoon.

'Okay,' I said and asked him, 'Where?' 'At Westbrook'

So told him, 'But President, I am in Johannesburg, I am never going to make it to Cape Town in time.' And he said, 'Well, try.'

I got there, we had an 11 o'clock meeting and he said, 'You have probably heard the rumours.' 'No, what rumours are you talking about?' He told me that Derek Keys had resigned. 'I honestly haven't heard,' I said and then the penny dropped. I knew now why I was there.

He said that he wanted me to succeed Derek but I declined, 'When I retired, I promised my wife, and I have told many people, that I will never enter politics.' He said he would speak to my wife and I told him, 'No, I can handle that myself. But I don't want to be a party politician.' He replied, 'I think I can handle that.'

'Well,' I said, 'I need to think about it'. He asked me, 'How long do you think you need to think about it?' I said, 'About a month, I suppose.' 'No,' he said, 'I want an answer tomorrow night.'

It was now well past midnight so I stayed over in Cape Town. I came home from Cape Town the next morning and told my wife what disaster had struck us. I had to meet him at seven o'clock that night and had to rush through the rest of the CGIC board meeting so I didn't have much time to discuss it with my wife. I came home at six o'clock and we talked about it for 15 minutes. I phoned my son in London just in case something leaks out. My other son in Germany I couldn't get hold of in time. My son in London made a very interesting comment that 'This is a decision that you can make in three minutes probably better than in a month.'

So I went to see Mandela, and he wouldn't take no for an answer and we agreed eventually that I would step into the post.

### **Becoming minister of finance**

Was I involved pre-1994? I knew the discussions were taking place. I wasn't personally involved in them except through corporate South Africa and the various business organisations that were involved. I was never directly involved in face-to face discussions with Mbeki or anyone else.

The question that everybody asked is, 'Why you?' I asked myself that question often. There were many other people that I can think of that would love to do it and would love to enter politics. There are two reasons, I am told on making enquiries. After Keys resigned Mandela was prompted that it would be very useful, from an overseas image point of view, if he chooses an independent person and he knew, I didn't have to remind him, that I didn't want to be a politician. In fact he said to me that night, 'Yes I know, Tito said that to me already.' So he patently had had discussions about me with Tito and Trevor before they approached me and Tokyo said he was also in discussions about

me before they approached me. Also as a banker I had reasonable international exposure and knew a lot of international bankers and I was told that was an attraction, someone the international community knew, and it would be easier for the transition especially after Keys' resignation after such a short tenure.

TT Though you weren't directly involved, you were in touch with the business community - what were the expectations?

CL The business community had a lot of confidence in Keys, as minister of finance. He was brought in by De Klerk in the previous regime as minister of finance. He was one of the National Party ministers that remained on in the Government of National Unity. The business community and the international people, too, had confidence in Derek who had a very good image. So the expectations were that he wouldn't allow anything silly.

TT It seems that the full extent of the economic crisis only dawned gradually on the ANC quite late; that even after the 1994 election information was coming in about the extent of the debt. At the time you were coming in trends looked even worse.

CL I made five conditions to Mandela that night upon accepting the post. Funnily enough it was again after another Mitterand dinner this time in Johannesburg that he saw me. I said, 'You know very little about me, apart from the contact that we have had over banking. You don't really know what I believe in.' He said, 'No, what do you believe in?' 'There are five things,' I said, 'that I would like to see happen as a condition of my acceptance:

- we will have discipline in both monetary and fiscal policy;
- we need a successful RDP, we have to uplift that level of people to a more sustainable economic level;
- I am going to remain an independent;
- we need to have a market-related economic policy.

'If not I will have great difficulty to accept the post.'

He said straight out, 'I can live with that.'

But he's clever, politically. When the first budget was finished and drafted, and presented to the cabinet, he said to me that it would really be a good idea if we could get some other ministers involved as well. And I think he expected me to say, 'Well it's done already'. But I said, 'Yes, I think it's a very good idea, I don't want it to be a Chris Liebenberg budget. It must be a government budget.' He then asked Dawie de Villiers, Trevor and Tito to have a look at it. think we met once though it was a waste of time really. Personally I think this was just a precautionary step not to be embarrassed by me, still having my five conditions in the back of his mind

### **Preparing for an ANC finance minister**

TM At that time Alec Erwin was deputy minister?

CM Yes, Alec was my deputy right from the start. As a non-elected, non-party parliamentarian I had no access to the caucuses of the ANC or the National Party or any other of the parties we had at that stage. So Alec was very helpful in giving me guidance on what policy issues I could expect to be coming through from the ANC. Unlike me he was sensitive to the political atmosphere.

By the time I tabled my second budget, I had realised that the finance minister needs to be a politician with political clout. Most of the things I wanted to do in the short term were by then in place: we've cut the deficit; we've re-orientated spending; we've gone from an import parity focus to an export-competitive focus; we've scrapped the Financial Rand with the expert assistance of Chris Stals and we've restructured the Departments of Finance and State Expenditure and established SARS. So from there on driving things further was going to be more of a political job, no longer a job for an independent without political clout.

I went to see Mandela, spoke to him, saying that 'I'm not really a politician in the long-term; I've done what needs to be done in the short term and from now on it's political clout that will carry the day and it's time for me to go.' I gave him seven months' notice. I told him that after the next budget I would like to step down.

Trevor Manuel sat in my dining room at the Groote Schuur estate, with Gill Marcus, Alec and I on a weekly basis for about six months prior to their appointments, being coached by Alec and I, and being briefed on what the expectations are, what is the reality, and so on.

The fact that it never leaked to the press was an absolute miracle knowing how porous the information security was. What used to shock me was, that you would discuss issues in Cabinet on Wednesday and on Thursday morning you would read a verbatim report in the press. On one occasion the Cabinet mandated me to leak an article through the *Sunday Times* with Ken Owen. I knew Ken quite well. I said to Ken, 'Would you like to have lunch with me some time. I have something to share with you.' I tell him this big secret and he says, 'Chris, you are so naïve!' I said, 'What do you mean?' He said, 'I know it, I know it all, I know all the details.' I said, Ken, 'How did you get hold of it?' He said, 'You are so politically naïve. People keep on offering us information to help their own image.'

### **Management of the budget**

I was never given a list of goals/objectives by the caucus, or by Mandela, Mbeki or De Klerk. I was never told that 'This is the policy, this is where you going to fit in'. It was almost through a process of osmosis that I tracked what was around me and needed to be implemented. Alec was very useful in keeping me abreast of what was happening and was part of that implementation, he played an excellent role. Mandela never called us in and said, 'I don't like what you've done there,' or, 'I want you to change this and not to do that', nor did Mbeki nor De Klerk. So I was quite pleased that we were given so much freedom, produced a new budget which three or four other ministers looked at

but made hardly any changes, and which the Cabinet accepted and adopted for implementation.

Only once did Mandela come to me and ask for un-budgeted expenditure and that was with the collapse of the Vaal Reefs mine on the West Rand when a number of people were killed and trapped underground. He came to us and said he wants to make an ex gratia payment to the widows and families. We all agreed.

We used the defence force, as you no doubt have seen, as a kitty for cutting expenditure and also the police to some extent. We were now in a different era with different priorities. We were very harsh at first, to meet our goals. The SAA pilots were in uproar because of what we did and I had to go and help to calm the pilots; they all threatened to walk out. With the teachers we also had a problem and there too I was called in to help. In the police, Fivaz had a major problem and again I was called in to assist and similarly with Dullah Omar and his department. That was the first couple of years, implementing the building blocks and setting policy in getting people accustomed to the new disciplines.

One structure I found very useful upon my arrival was a subcommittee chaired by the minister of finance, where the other members were: the two deputy presidents; Alec and Estiaan Calitz; as well as the directors-general of Finance and Expenditure. This committee would sign off on all major expenditures. Thanks to the seniority of this committee it was a very useful tool in bringing expenditure back quickly in areas where we thought possible. And the credit must go to De Klerk and Mbeki rather than me as the newcomer on the block.

- TT If the government hadn't engaged in that fiscal discipline, what would have happened?
- CL We are now speculating. But let's look at the facts. We were dealing with a government that had never governed, with ministers who had never governed, and they had under them many a director-general who were also inexperienced, highly intelligent people but inexperienced in the function they were performing. Fiscal discipline was absolutely essential.

I think if we didn't have that, the expenditure would have escalated because the need on the poverty and the welfare side was so great and the expectations so high. At the end of my first budget I showed the Cabinet that Interest on debt plus welfare payments took 90 per cent of our income so all other expenditure had to be borrowed. Mbeki was shocked to hear this. That came as a big shock to the Cabinet.

I had a lot of arguments with individual parliamentarians, mainly the new guard, about the deficits: 'Why are you people so strict on the deficit? What difference would it make if it was one per cent more, or if you take five years longer?' Max Sisulu especially was very critical as well as the trade unions, that I kept on harping that the deficit before borrowing must be down to X, Y and Z and that the taxes as a factor of GDP must be A, B and C, why make it so difficult?

So my economic policy legacy was mainly around bringing expectations to a set of standards and bringing the expenditure in line with those standards that we set. We had a twin deficit, a current-account deficit and a budget deficit, we had projected debt escalating, and we had enormous expectations on welfare that had to be funded let alone land reform.

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TT GEAR has been described by some as a home-grown structural adjustment programme, a set of measures taken in order to avoid having the same measures forced on us along with other constraints.

CL GEAR was post my time. The evolution of policy from me to Trevor was basically GEAR. A lot of the things that I did and started Trevor carried on and did other things and that was moulded into the umbrella of GEAR. There were two big things we did before Trevor came in. One was the creation of SARS; I was convinced it needed to be put on a more professional basis rather than be run like a government department. Alec and I created SARS. We scrapped the financial rand, which was also a big confidence booster at the time, and in that we relied heavily on Chris Stals's expert handling of the currency.

The way I saw it, there was really nothing fundamentally different in GEAR from the policy management that we tried to install. I didn't see it as a fundamental shift, but rather a good program in which to manage and make it clearer for people to better understand and conceptualise the management of the country's finances.

TT Were there discussions about how the RDP was meeting expectations?

CL There was a lot of emotion around the RDP. Jay Naidoo was very upset at a couple of meetings, with the expectations on the one hand and the lack of support he got on the other. He had a very difficult job because he stood on the side-lines as implementation was really through the line departments. So unless there was good cooperation between the minister and Jay, his hands were basically tied, whatever he said or planned. He called me once to come and help him with a press interview to explain what progress was really being made. He was very frustrated at times.

### **Mandela's leadership style**

TT How did Mandela relate to Cabinet's economic committee?

CL Mbeki and De Klerk chaired meetings on alternate weeks, both Cabinet and the economic committee.

But Mandela sat there and it was a very good lesson in management that I always admired, things that you read about in books that come naturally to leaders. Mandela wasn't getting involved in the nitty-gritty, he had the broad concept and the moral high ground, and his comments would be more about, 'left hand down a little, right hand up a little', rather than changing the track. Making sure that everything was on track, was Mbeki's and De Klerk's job.

Mandela would sit there and make comments guiding the policy and I thought he did that very well. He said very little unless it was on an overall policy issue.