

Charting the Future in South Africa

by Mzwanele Mayekiso

THE SOUTH AFRICAN NATIONAL CIVIC ORGANIZATION (SANCO) has focused much of its attention on the overthrow of the undemocratic apartheid state. Now that democratization of the state and society is firmly underway, we must search for a way to address local needs, building upon lessons learned in international struggles. To do so in the South African context requires us to address whether we as a nation adopt "outward-oriented" or "inward-oriented" development strategies.

One theory suggests that South Africa will only prosper through export-led manufacturing growth. Another theory says that we must delink from global capitalism in order to break dependency relations which are a disadvantage to mineral-exporting countries. Neither theory is very useful to us at the moment, because when it comes to practice, we are so far from each extreme. Instead, all of us are engaging in this debate from a somewhat centrist position, without extensive international experience.

It is clear that the forces of apartheid left us with a siege economy, and this means that many opportunities to engage in trade, to make foreign investments, and to gain access to global financial markets have gone untapped. Therefore, the argument goes, we must move increasingly to an outward-oriented strategy.

On the other hand, that siege economy was based to a large degree upon exports of mineral wealth. We are left with a very underdeveloped machinery (capital goods) sector. And of course there was the near-total failure to meet the basic needs of the majority. By this logic, inward-oriented growth — aimed at meeting basic needs and a more balanced industrial economy — has much to recommend itself. In fact, the outward strategy has been tried and has failed. The pariah Taiwanese, Israeli and Afrikaner industrialists who cooperated with apartheid to set up decentralized bantustan export-platforms simply could not compete internationally, notwithstanding their brutal cheap-labor

practices. Moreover, the outward strategy led to excessive foreign debt in the mid-1980s, in part thanks to Nedbank's exposure in New York, and because the foreign borrowings of companies were so unsustainable.

Even though I was a student organizer in the deepest corners of the Transkei, I remember very well reading avidly the *East London Daily Dispatch* in September 1985 to understand why our country was in flames and why we defaulted on the foreign debt, closed the stock market and introduced exchange controls. It was easy to blame then-President P.W. Botha at the time. But it was not only political fire, but economic immolation. Thanks to Nedbank and the other banks and companies, our ANC strategy of international financial sanctions was then intensified, and this strategy helped convince many business and government leaders that it was finally time to ditch formal apartheid. So from the standpoint of democratic political change, we are grateful for the failure of outward-oriented growth.

Let us now, as we reach our own democratic victory, not make the mistake of big capital in the early 1980s, by reaching too far internationally and then getting badly burned. Let us not neglect our socio-economic needs — which, as Botha found, led so quickly to social unrest if not met. Let us instead try to meet basic needs through inward-oriented development. But let us also help develop an international democratic politics and culture through various kinds of outward-oriented activities.

Meeting basic needs

So many of our people lack jobs, housing, basic health care, literacy and education, decent clothing, cultural and recreational facilities, child-care and so on. Therefore the ANC Reconstruction and Development Program (RDP), the basis of the first democratic government's policies, is exactly right to focus on basic needs. "No political democracy can survive and flourish if the mass of our people remain in poverty, without land, without tangible prospects for a better life. Attacking poverty and deprivation must therefore be the first priority of a democratic government," the RDP states. "The first priority is to begin to meet the basic needs of people — jobs, land, housing, water, electricity, telecommuni-

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cations, transport, a clean and healthy environment, nutrition, health care and social welfare.”

We in the civic movement have very high hopes for the ANC RDP. In part, this is because our own SANCO RDP was taken into consideration in the ANC's draft. In some areas, such as housing, it was the basis for the ANC policy. This led to the SANCO endorsement of the ANC. (SANCO is normally non-partisan, but this year we agreed to endorse those parties which, during the 1994 elections, support our aims, objectives and policies, and which can claim a democratic, anti-apartheid legacy.) In addressing the spiral of poverty and underdevelopment in our country, the ANC RDP's emphasis on basic needs — as a “first priority” — is to be welcomed by poor and working-class people.

Unpatriotic capital

Capital flight in South Africa is out of control. More than 10 billion rand in foreign reserves fled the country in the last six months of 1993, much of it through illegal banking transactions. The Reserve Bank is largely to blame for being asleep at the wheel. It is meant to protect against illegal capital flight, yet a recent investigation unveiled fraud in every major Reserve Bank and commercial bank financial transaction examined during the late 1980s. One top Reserve Bank official was even caught trying to steal \$1 billion.

The South African banking industry is simply unpatriotic. The four major banks — ABSA, FNB, Standard and Nedbank — have opened more offices in the Cayman Islands recently than they have in Soweto. A SANCO report one year ago made the following points: One of the easiest routes for South African banks intent on expanding abroad is to the unregulated “hot money centers” such as Panama, Cayman Islands, Guernsey, Jersey and the Isle of Man. And indeed, last year, First National and Standard made major moves into these centers, as well as into London. The unseemly nature of foreign banking in London was revealed in the BCCI scandal of mid-1991, which the U.S. Senate Foreign Relations Committee recently concluded was typical of such hot money banking.

Quite apart from the potential for violating financial sanctions, South African banks have not convinced the public that their forays into London and offshore tax havens are benefiting the entire South African economy. It is in this sense that South African banking purchases abroad must be closely scrutinized.

The need to control such capital flight is a good reason for a more inward-oriented financial strategy. The first step in such a strategy is to bring the Reserve Bank under greater accountability. This suggestion is also contained in the RDP: “The democratic government should immediately increase the resources available in the Reserve Bank and other appropriate agencies for combating illegal capital flight.”

Importing conspicuous consumption

My home township is Alexandra. If I walk two kilometers to the west, I come across “Village Walk” in Sandton. The contrast between the degradation of Alexandra, and the opulence of Village Walk is an insult to humanity. There are so many foreign imported luxury goods there, enough to feed thousands of hungry families in Alexandra if we had a fairer distribution of wealth.

At least this may change, according to the RDP: “The design

of reconstruction levies will depend on the aims of the RDP whole, especially in terms of promoting development and growth but could include levies on capital transfers, land and labor goods.”

I also look at some of the industrial sites around Alexandra: Wynberg, Marlboro, Kew, Louis Botha Avenue. This is the economic spine of our area, and yet some of the vertebral bones are missing. Too many of the machines in these factories are imported. We are dependent upon capital goods machine tools, transport equipment, heavy machinery, etc. from abroad. It is one area where “import substitution” failed to promote local economic growth. We are far too dependent upon foreign machinery, especially capital machine tools, for our own good.

Facing the Bank

The big challenge for inward-oriented development is to make the state accountable, democratic and powerful enough to ensure that civil society prosper and meet basic needs. The integrity of the state is crucial for this.

A common problem with an outward-oriented strategy is the loss of that integrity. The RDP makes clear that this will be a major factor in South Africa's fate: “Relationships with international financial institutions such as the World Bank and International Monetary Fund must be conducted in such a way as to protect the integrity of domestic policy formulation and promote the interests of the South African population and the economy. Above all, we must pursue policies that enhance national self-sufficiency and enable us to reduce dependence on international financial institutions.”

If we maintain the integrity of our policy-making process, then South Africa is ruled from Pretoria, not Washington, D.C. Then we will avoid domination by international financial institutions. Specifically, an inward-oriented strategy will prevent the classic Third World foreign debt trap. Sadly, though, there are many glaring examples of Third World leaders — even communist leftists like Michael Manley of Jamaica, and the Nicaraguan Sandinistas — failing to keep the World Bank and IMF at bay.

In South Africa, now that we have an opening through the democratization of the state, the World Bank has adopted a strategy of working with the ANC. This is not meant to uplift the poor, but to confuse us for the purpose of future exploitation. Many of our comrades have resisted this, have become more independent of the World Bank's agenda, and remain cautious in dealing with the Bank.

In our civic movement, we adopted a flexible counter-strategy. When faced with a Bank mission, the Civic Association of Johannesburg (CAJ), for example, came up with a protocol — “protocol” to regulate the Bank's activities and ensure that the Bank followed our movement's non-racial, non-sexist philosophy. The Bank was surprised by this, and told CAJ that this was not a standard operating procedure. The protocol was rejected.

We do not need World Bank financing, nor that of other international agencies which will impose conditionality and exploit us. Let us not take foreign loans when there is plenty of domestic capital available (hundreds of billions of rands — “chasing paper” — in the stock market). Let us not take foreign denominated loans from foreign banks to build houses which are paid for in rands (not dollars). Let us not borrow when the rand is devalued — which has, according to the London School of Econ-



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A homeless family in a Witswatersrand township.

meant "South Africa has paid a premium, as large as 83 percent (14 percentage points) on one measure, to raise funds from international capital markets, relative to the cost of borrowing on the domestic market." Let us instead follow the RDP advice in this matter: "The RDP must use foreign debt financing only for those elements of the program that can potentially increase our capacity for earning foreign exchange."

Avoiding unrealistic reliance upon trade

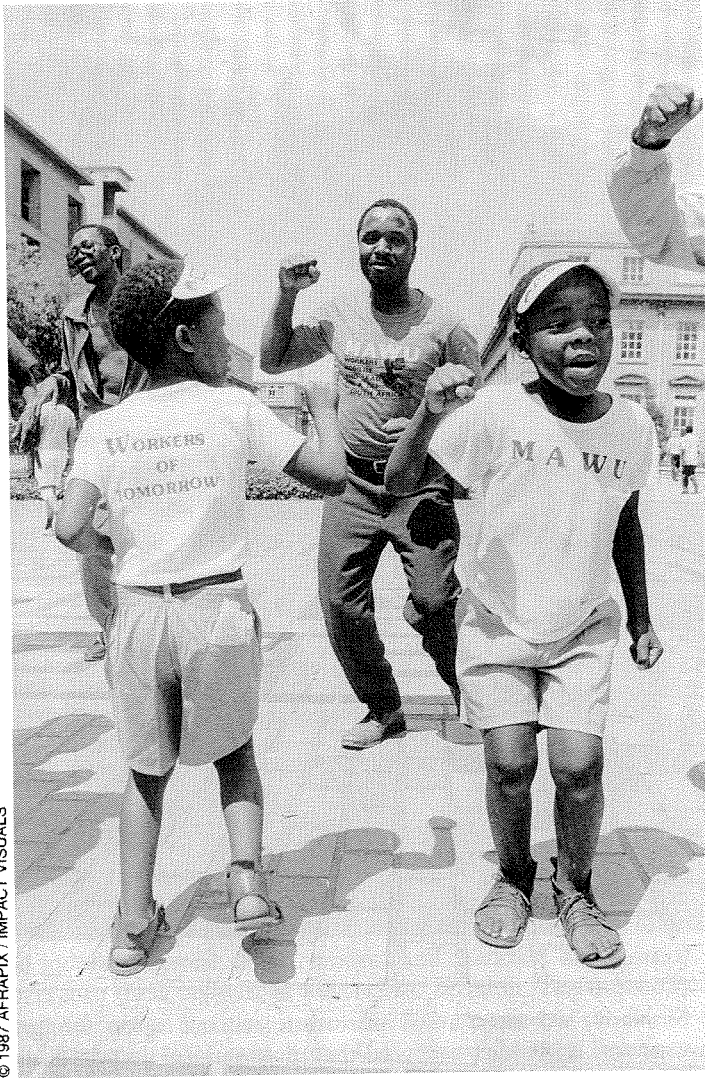
Foreign trade is working against South Africa. The General Agreement on Trade and Tariffs (GATT) will cost this country \$400 million annually in lost trade revenues within eight years, according to the World Bank. And even with GATT, the North American Free Trade Agreement and other such deals, trade wars appear to be very much a part of the present world capitalist economy.

While seeking to improve exports generally, let us nevertheless be reminded that the basic conditions for a given country's success within the competitive global economy — a highly repressed, low-paid labor force, an innovative entrepreneurial sector and a competent state — do not really exist in South Africa. If we rely too heavily on trade and export-led manufacturing export for growth, we may end like Zimbabwe, which has been suffering deindustrialization since World Bank-imposed measures were introduced.

Similarly, we must avoid unrealistic reliance upon foreign investment. It is widely accepted that multinational corporations should come to an investor-friendly environment. However, this should not be viewed as a blank check to exploit workers, abuse the environment, speculate in the financial markets, build unneeded white elephants, and so forth.

As former SANCO president Moses Mayekiso explained: "The debate involves the following issues: what is produced, how is it produced, and how financing is arranged. It is a well-known problem that foreign investors often bias their products toward local luxury goods markets or pure extraction of resources. This is the history of multinational corporations in South Africa, and it is one of the reasons why our economy is performing so badly at present. Today, mining and agriculture are both in a serious crisis, and there does not appear to be much interest in new foreign investment for extraction of minerals and cash crops. As for the abundance of foreign companies making goods rarely seen by the majority of South Africans, a large reason for this is the high level of trade tariffs which make production more profitable inside South Africa than outside."

"There is an argument for a different approach, which says that foreign investors have a responsibility to do more than assess the market for their products, which you will find is the five million whites and those few blacks who are consuming luxury goods. Foreign investors should also be concerned with what life is like for



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Young supporters of the Metal and Allied Workers Union.

the vast majority of South Africans in working-class townships and poor rural areas, and do something to expand the line of basic need goods that are available, their distribution and help generate subsidies so that everyone has a right to the means of survival. It is self-evident that without better balance in the economy between production and consumption of luxury goods and basic survival goods, resentment will just continue to build and the society will not offer a very good haven for foreign investors."

"Foreign investors also bring in relatively capital-intensive means of production, which in general are more efficient than our local operations. This could make South Africa more competitive in world markets, to be sure. But there are costs, both because inputs, maintenance and repairs are often paid for in foreign currency and because capital-intensive equipment may worsen the already-desperate employment situation if it outcompetes local producers. Even the World Bank has determined that South Africa's means of production are already too capital-intensive, and that finding productive work for the 40 percent of our people who are unemployed will require labor-intensive investments."

A balanced approach is called for, as Moses Mayekiso recog-

nized: "On the other hand, there is evidence that many U.S. companies and some other multinationals operating in South Africa over the past few years did treat their workers better, and displayed a more enlightened perspective on worker housing schemes. As we enter the new South Africa, the discredited Sullivan Principles and various more recent attempts to mandate more progressive company operations must be revisited, and efforts undertaken to prevent exploitation of the environment, of workers and of communities. To this end, SANCO has recommended that the democratic government examine the South African Council of Churches-proposed Code of Conduct for multinational corporations."

Promoting local economic development

Finally, there is scope in a democratic South Africa for a great many other inward-oriented growth strategies, through what we are terming "local economic development." In most areas of meeting basic needs, such as housing, there are many local linkages between production and consumption (such as use of local building materials and labor) which have not been made, for two reasons. First, the structure of production is highly concentrated, with most building material sectors controlled by three or fewer companies. This must be corrected by anti-trust action and by promoting local black businesses, perhaps through direct local government purchasing arrangements or outright state subsidies. The RDP endorses this approach, especially when the enterprises are worker-owned or community-controlled, though it emphasizes that all such projects must ultimately sustain themselves. Second, our people simply cannot afford the cost of most major commodities. Only 10 percent of the township population can afford to buy a house on the open market, even with a 20-year mortgage loan. But if the state adopts appropriate policies, the demand for local production can be enhanced by use of subsidies. According to the National Housing Forum, there should be a 50 percent subsidy on each 25,000 rand house in order for those without housing at present to be able to afford it. The RDP commitment to a high level of subsidies is clear, with a goal of not less than 5 percent of the government budget being devoted to housing subsidies by the end of the 5-year RDP.

Outward-looking strategies

We in the South African National Civic Organization have tried to link our experience in South Africa's cities, towns and countryside to the experiences of social movements across the world. We have asked: why is the Southern African region in such a mess? The RDP suggests that it is partly due to orthodox outward-oriented strategies: "The pressures of the world economy and the operations of international organizations such as the International Monetary Fund, World Bank and GATT, affect our neighbors and South Africa in different ways. In the case of our neighbors, they were pressured into implementing programs with adverse effects on employment and standards of living. It is essential that we combine to develop effective strategies for all Southern African countries." The democratic government in South Africa must foster a more balanced development strategy for our region. That will entail an outward-oriented, progressive approach to the region—even, as the RDP puts it, "Developing the capacity of our neighbors to export manufactured goods to South African mar-

kets.”

Why pursue this route when we will struggle to maintain domestic South African manufacturing capacity? Again, the RDP: “In the long run, sustainable reconstruction and development in South Africa requires sustainable reconstruction and development in Southern Africa as a whole. Otherwise, the region will face continued high unemployment and underemployment, leading to labor migration and brain drain to the more industrialized areas.” This will not be easy, of course. Our domestic manufacturers will not be happy if the region is permitted more protection against imports from South Africa, as Zimbabwe and Zambia are now requesting.

Similarly, there are many problems associated with the flow of immigrants to our townships. Alexandra has many thousands of Mozambican, Zimbabwean and other African migrants, who are technically illegal and impossible to organize. They are offered extremely low-paid jobs by unethical companies, and have no rights to defend themselves. Community tensions are certainly rising. Rather than follow the example of Johannesburg street vendors, who are threatening to remove foreign street vendors, we must look after the African immigrants’ interests in South Africa. We can do that in part by raising living standards and economic conditions across the region, because by doing so we will ultimately increase our own living standards.

There are a number of other areas where we must pursue outward-looking strategies.

- As a general principle, one of the most important features of our relationships with other peoples around the world is the exchange of ideas and experiences, through direct people-to-people contact, conferences and electronic mail networks.

- We have a whole new way of approaching the “foreign policy” of “civil society.” South Africa is a bastion of such thinking, because of the political solidarity that we have experienced in past years. However, as the democratic stage of our struggle is won, the anti-apartheid networks require revitalization as broader civil society solidarity networks which can both support SANCO (with technical support, campaign support and perhaps funding) and be supported by SANCO, through our guiding example in grassroots mobilization, local democratic transformation and people-centered development.

- People-to-people relationships can be solidified if we strengthen progressive international organizations, the most prominent of which is the Penang, Malaysia-based Third World Network. From my recent visits to the U.S. inner-city ghettos, to the barrios of Mexico City, Puebla and other Mexican villages, and to the favelas of Rio de Janeiro, I have a growing conviction that an international organization devoted to linking civic associations will soon be a reality. While we cannot uncritically translate the local experience to the global, my view is that our processes of mass mobilization, democracy-building, addressing local grievances

and building new institutions in the community can all be shared with our comrades in other oppressive societies.

- South Africa has nine successful sister-community relationships already in place with the United States alone, including one between the civic organization in Alexandra and the city of Chicago, as well as very impressive projects connecting St. Paul,

Minnesota with Lawaakamp in the Eastern Cape, and Wichita, Kansas with Thornhill in the homeland of the Ciskei. Other sister-community links are burgeoning with Holland and England. These should be upgraded into full sister-city relationships now that apartheid is fading. The political and material support that these relationships have provided have been a key element, in some cases, in the very survival of the South African sister community.

- Much of our work in building international solidarity will

come, ironically, through international competition, in arts, culture and athletics, as well as cultural cooperative and exchange arrangements.

Common problems, common solutions

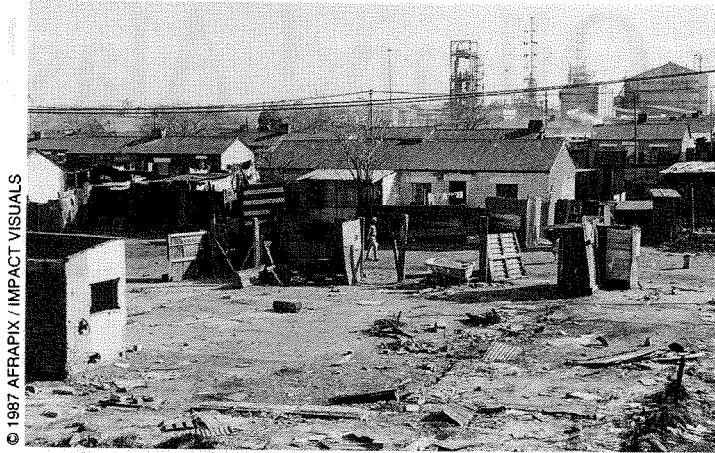
What I hope to have shown is that we must go beyond the traditional progressive slogan, “Think Globally, Act Locally” — we must act globally, with the Southern African region and with our international allies. The daily struggles of people across the world have much in common.

There is, in fact, a growing recognition that poor and working class citizens of different countries now have more in common with each other than they do with their own elites. Unfortunately, what we have in common with our sisters and brothers across the world is economic inequality and uneven development.

Racial apartheid may become class apartheid, which is a phenomenon in many countries at present. One very unfortunate result is a spate of “IMF riots” which have helped to topple many governments, but which have not been sufficiently well-organized to replace corrupt regimes with anything better thus far. In sum, the outward-oriented structural adjustment programs, especially, have set back the standards of living in most Third World countries by a decade or more.

Meanwhile, the inward-oriented strategies of the earlier elites from the 1930s to the 1960s have been discarded. This means that an outward-oriented strategy for the civic movement must be based in part on understanding where the old establishment inward-oriented approach went wrong — especially in its promotion of domestic luxury goods production.

And it means that the common conditions that structural adjustment is imposing on poor communities across the planet must be understood in global terms. This will allow us to develop stronger links between oppressed peoples, and to develop an organizations that serves our interests in international forums. If we have common problems, we logically have common solutions. ■



A Witwatersrand township.

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