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DEVELOPMENT AND RECONSTRUCTION IN SOUTH AFRICA:

INSTITUTE FOR AFRICAN ALTERNATIVES (IFAA)

Ben Turok, Danny Kekana, Mary Turok, Ernest Maganya, Jacob Noe, Bade Onimode, Judith Chikore, Mohamed Suliman, Martin Khor

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DEVELOPMENT AND RECONSTRUCTION IN SOUTH AFRICA: A READER

Institute for African Alternatives
(IFAA)
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CONTENTS

About the Authors
Abbreviations
Introduction 1

PART I: WHY DEVELOPMENT? 5

1. Releasing the Potential: A Strategy for Development in the PWV Region
   by Ben Turok 7
2. South Africa's Skyscraper Economy: Growth or Development?
   by Ben Turok 28
3. The Informal Economy — Saviour or Cop-Out? The role of the Informal Sector in the Economy of South Africa
   by Danny Kekana 39
4. The Informal Sector and Women: Facts and Figures 52
5. Can South Africa be an Asian Tiger?
   by Ben Turok 54
6. Remembering the Majority: Women and Development Policy in South Africa
   by Mary Turok 63
7. Structural Adjustment Programmes and Agrarian Reform Policies in Sub-Saharan Africa: Implications for the Revival of Smallholder Agriculture in South Africa
   by Ernest Maganya 68

PART II: DEMOCRATIC POWER 81

1. The Meaning of Power
   by Ben Turok 83
2. Transition Lessons from Africa
   by Ben Turok 86
3. Democracy, State and Civil Society
   by Ben Turok 90
4. Non-Governmental Organisations and Grassroots Power
   by Jacob Noe 98

PART III: WHAT CAN WE LEARN FROM AFRICA? 107

1. The New Wind Sweeping Across Africa
   by Ben Turok 109
2. How Can Africa Get Back on Its Feet?
   by Ben Turok 113

3. World Bank's Long-Term Perspective Study on Africa: An African Critique by Bade Onimode 117
4. The IMF and the World Bank — Their Role in Africa: Quotable Quotes 128
5. The Effects of the Structural Adjustment Programme on Women: Zimbabwe's Experience by Judith Chikore 130
6. SAPS and Women: Facts and Figures 140
7. The Education Crisis in Africa by Ben Turok 144

PART IV: SURVIVING IN A HOSTILE WORLD ORDER 153
1. Prey of the Debt Mongers by Ben Turok 155
2. Living With the Tiger: Debt and Development in Africa by Ben Turok 159
3. Crumbs for Africa's Poor at the Earth Summit by Mohamed Suliman and Ben Turok 174
4. South Africa's Trading Future: The Actors in International Trade and Prospects for Increased External Trade for Post-Apartheid South Africa by Ernest Maganya 186
5. Malaysian Lessons for South Africa: An Interview with Martin Khor 195

PART V: APPENDIX 215
Approaches to Development 217

PART VI: INDEX 227

IFAA Books
Information About IFAA

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● ABBREVIATIONS

AAF-SAP	African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation
ACBI	African Capacity Building Initiative
ACHIB	African Council of Hawkers and Informal Business
ANC	African National Congress
APPER	African Priority Programme for Economic Recovery
ASEAN	Association of South East Asian Nations
BBA	Babies Born Before Arrival
CBM	Consultative Business Movement
CBO	Community-Based Organization
COSATU	Congress of South African Trade Unions
CSS	Central Statistical Services
CWMC	Central Witwatersrand Metropolitan Council
DBSA	Development Bank of Southern Africa
EAEC	East Asia Economic Caucus
EAP	Economically Active Population
EC	European Community
ECA	Economic Commission for Africa (A United Nations agency)
EEC	European Economic Community (now the European Community)
EPZ	Export Processing Zone
ERP	Economic Recovery Programme (in Mozambique)
ESAP	Economic Structural Adjustment Programme (in Zimbabwe)
ESCOM	Electricity Commission of South Africa
FABCOS	Foundation of African Business and Consumer Services
FAIBS	Foundation of African Informal Business Sector
FAL	Final Act of Lagos (adopted by OAU)
FAO	Food and Agricultural Organization (A United Nations agency)
G7	Group of Seven (United States, United Kingdom, Germany, France, Japan, Canada, Italy)
GATT	General Agreement on Tariffs and Trade
GCA	Global Coalition for Africa
GDP	Gross Domestic Product
GEF	Global Environmental Facility (linked to World Bank)
GEM	Group for Environmental Monitoring
GNP	Gross National Product
GNU	Government of National Unity
HICs	Highly Indebted Countries
IDASA	Institute for a Democratic Alternative for South Africa
IDT	Independent Development Trust
IFIs	International Financial Institutions
ILO	International Labour Organization
IMF	International Monetary Fund
KADU	Kenya African Democratic Union
LAPC	Land and Agriculture Policy Centre

LICs	Low Income Countries
LPA	Lagos Plan of Action (adopted by OAU in 1980)
LTPS	Sub-Saharan Africa: From Crisis to Sustainable Growth — A Long-Term Perspective Study on Africa (A World Bank report)
MBSA	Mercedes Benz of South Africa
MERG	Macro-Economic Research Group
MTO	Multilateral Trade Organization
NACTU	National Council of Trade Unions
NDF	National Development Forum
NGO	Non-Governmental Organization
NICs	Newly Industrializing Countries
NMC	National Manpower Commission
NUMSA	National Union of Metalworkers of South Africa
OAU	Organization of African Unity
OECD	Organization for Economic Cooperation and Development
OPEC	Oil-Producing and Exporting Countries
PAC	Pan African Congress
PASA	Post-Apartheid South Africa
PRC	People's Republic of China
PWV	Pretoria-Witwatersrand-Vereeniging Region
SABTA	South African Black Taxi Association
SACCOLA	South African Coordinating Committee on Labour
SACG	South Asian Consultative Group
SACOB	South African Chamber of Business
SACU	Southern African Customs Union
SADC	Southern African Development Community (formerly SADCC — Southern African Development Co-ordination Conference)
SAIRR	South African Institute of Race Relations
SAP	Structural Adjustment Programme
SBDC	Small Business Development Corporation
SDA	Social Dimension of Adjustment fund (in Zimbabwe)
SDF	Social Development Fund (in Zimbabwe)
SSA	Sub-Saharan Africa
TEC	Transitional Executive Council
UCT	University of Cape Town
UN-PAAERD	United Nation Programme of Action for African Economic Recovery and Development
UNICEF	United Nations Children's Fund
UNIP	United National Independence Party (in Zambia)
WB	World Bank

INTRODUCTION

BEYOND THE RHETORIC

The Inherited Development Paradigm

APARTHEID and before that Separate Development introduced into South Africa a grossly distorted view of what development means. This country exhibits gross features of classical underdevelopment as seen throughout the Third World but its opposite, development, appeared not as a means of overcoming underdevelopment but as a special process peculiar to South Africa. Development was something the state did for "others" — for subordinates, who were located in "native reserves", later "homelands". It perpetuated inequalities and the master-servant relationship.

"Development" in South Africa is therefore an even more patronising phenomenon than the one embraced by certain Western charities who operate in the Third World and who wish to help the "poorest of the poor" without, however, addressing the structural foundations of that poverty. Neither approach provides a way out of those structures by challenging the power and privileges concealed in the unequal relationships which lie beneath the surface.

South Africa's separate development paradigm became encrusted in a variety of institutions inevitably linked to the Bantustan system. But the urban townships (often large enough to be potential cities were they given scope to develop proper infrastructure) were also viewed in the light of

development handed down by the apartheid state. Thus, Regional Services Councils, Provincial Administrations and Development Bank structures were all institutional expressions of "development" for disadvantaged subordinates. Their policy utterances were filled with declarations of good intentions for the poor and deprived, but they were devoid of serious commitment in the shape of resources for redressing the wrongs wrought by apartheid.

In the last few years, since the democratic opening in February 1990, perceptions on how the wrongs of the past might begin to be redressed have begun to change. The dominant idea to emerge is that real development in deprived areas, both urban and rural, must start. But the state is unwilling to provide the necessary resources and so it is argued that the resource base must be expanded to provide new revenues for this purpose. It is a kind of incremental approach which assumes that an economy as distorted as the South African one could meet the needs of the deprived by some kind of arithmetical adjustment to the resource base.

South Africa still has to learn from the rest of Africa that colonial legacies can only be overcome by social and economic transformation. No amount of tinkering at the edges with well meaning "developmentalism" will change anything other than cosmetic appearances.

The 1980's saw a major effort to put transformation on the agenda right across the continent and with it a huge convulsion to establish democratic government. Many famous Presidents were removed from office by popular pressure and new policies and perspectives put in place.

However, the international situation became increasingly hostile to Africa due to a rapidly increasing external debt, falling revenues for Africa's exported commodities, deteriorating terms of trade and heartless pressure from the international multilateral institutions like the International Monetary Fund and the World Bank.

Africa's recovery was stalled and development put on ice.

This is the climate now facing South Africa in its quest for a democratic transition. It is clear that fundamental changes are needed if the legacy is

to be overcome. Indeed development must be seen as a challenge requiring the restructuring of society and the empowering of the deprived majority so that new resources are provided not as handouts but as real allocations from the new government. This means tackling not only the huge inequalities of income and wealth but also the hidden subsidy system that enables a minority to flourish while the majority struggles to survive.

But we need to be careful that we go beyond the current rhetoric about "new dispensations", " post apartheid democracy" and the like. For real advances to occur in the living conditions of the black majority, new, sustainable policies will have to be identified and a home-grown development strategy conceived that is rooted in the widest consultations. This process must be accompanied by the release of real resources which reach the people at grass roots and which are not frittered away by middle layers of bureaucrats.

It is the purpose of this book to raise these issues sharply. We cannot afford to gloss over our country's problems at this most critical time of potential transition.

This is particularly important as there is a genuine possibility of transforming this country into a land of dynamic achievement thereby breaking through the inherited strait-jacket of one of the most awful systems invented by human beings.

PART I: ▼

WHY DEVELOPMENT?

RELEASING PEOPLES' POTENTIAL: A STRATEGY FOR DEVELOPMENT IN THE PWV REGION

BY BEN TUROK

1. WHY FOCUS ON RECONSTRUCTION AND DEVELOPMENT?

RECENT events in the negotiations process have given new impetus to the debate about a development path for the country. It is not enough for us, however, to address the stagnation in the existing economic structures. We also require substantial expansion of the nation's economic life to embrace all those who have been marginalised by the apartheid economy. The problem is not just that the economy has stagnated but that it is fundamentally distorted.

The dismantling of apartheid and the achievement of social justice requires the restructuring and transformation of the economy. It requires above all a development perspective which will bring new capacities, human and material, to the black majority. This paper argues for "sustainable human-centred development" which aims at structural transformation, welfare satisfaction and creation of an enabling political and overall environment.

We need to tackle poverty directly rather than through putative trickle down mechanisms. We need to invest in people and focus on where poor people live, not on city centres; emphasise broad-based economic measures, not narrow tax incentives, and empower communities, not rely on established white-owned enterprises.

FOOTNOTE: *Discussion paper written in 1993.*

2. INHERITED STRUCTURAL DISTORTIONS

The apartheid legacy in the economic field is that a minority of a white minority established a kind of "skyscraper economy" which benefited relatively few and marginalised the great majority. This skyscraper was inhabited by the very rich while it was surrounded by a vast shanty-town structure where the masses lived and worked. The skyscraper was shielded from competition by cartels which blocked out small black businesses by a range of laws and regulations which held back the aspirations of black people generally and ensured that they would live out their lives within the framework of shanty-town.

The state played a major role in sustaining the skyscraper by among other things giving generous tax exemptions, allowing massive tax evasion and avoidance, engaging in extraordinary corruption, and numerous other mechanisms to protect "lifestyle South Africa".

The essential features of the economy are : distorted stagnant production; gross social inequalities (**See Table 1**); enormous spatial disparities (urban-rural and townships-white suburbia); fragmentation of the built environment (**Table 4**); and a misdirected and mismanaged public sector.

There are three main dimensions to these manifestations.

a) Wealth

The principal features of wealth are as follows: Much of the economy is owned by a minority of the white minority so that

- Only 5% of all South Africans own 88% of the country's wealth
- Four large corporations — Anglo American, Rembrandt, SA Mutual, and Sanlam — control 81% of share capital
- Twenty families hold shares worth R10.7 billion plus other undisclosed personal assets
- 87% of the land is owned by whites
- 50,000 white farmers own 85% of all agricultural land

b) Income

Black people are not major beneficiaries in the economy and most are marginalised, contributing mainly their labour and purchasing power.

Thus:

- 95% of managerial jobs are held by whites. Blacks hold a mere 2% of the total of 2,550 directorships in the top 100 companies. (Source: Consultative Business Movement, The Star 30.3.93)
- Despite claims of overtaxation and declining living standards, in 1993 nearly half the top companies gave their boards of directors pay rises which far outstripped company performance and the rate of inflation. This was on top of incentive and pension schemes which top up basic fees. For instance, Gencor gave its board a 100% salary increase despite a drop of 18% in earnings per share and dividend growth of less than 5%. Of 60 companies surveyed only 6 cut basic boardroom fees (Business Day 30 March 1993)

c) Subsidies

The economy is riddled with special subsidies for the rich and for white people generally. Since the state accounts for 29% of GDP it has consistently been able to direct resources to white needs in the areas of education, health, roads, water, sewerage and other basic infrastructure.

In education in 1989 for every one black university student there were 2.2 white university students, 5 white students studying science, and 20 whites studying engineering. In 1972 there were 48,000 whites enroled in technical colleges and no blacks. In 1988 36% of whites in standards 8-10 were studying industrial arts and trades as against 1.8% of blacks. Similar ratios apply to commerce and vocational subjects. "The education of blacks has been deliberately and massively skewed in the direction of academic education" (Keynote address, Michael O'Dowd of Anglo American, SAIRR 27.3.92). 66% of the education budget goes to nourish the bureaucracy which is mainly white at the higher levels. The consequent lack of skilled blacks is a legacy that will take decades to overcome.

Even tariff protection is manipulated to subsidise the rich. Basic items consumed by those with low incomes have particularly high levels of effective protection as against products with a high unit price. (Joffe et al 1993)

3. STRUCTURAL PROBLEMS IN THE PWV REGION*

The PWV has traditionally been the power-house of the South African economy. How a new government handles this region will therefore send a strong signal to the rest of the country.

PWV is about 90% urban and about 10% semi-rural (which includes significant small holdings but no significant black farming areas). The structural problems of the region centre around its demographic labour utilisation, economic decline, informal sector, income levels, education and general welfare.

a) **Population:** The PWV Region population was about 8.4 million in 1990. The largest area demographically is Central Witwatersrand, followed by East Rand and Pretoria. There is migration from the rest of the PWV into Central Wits. The highest projected population growth rates are for Pretoria and the Vaal. During the period 1980-90 Central Witwatersrand population grew by 34%. If this trend continues it will pose an enormous burden on the resources of the area and create serious pressure on the urban environment. If present trends continue the population of PWV will be 12 million by year 2005 and that of Central Wits alone will be 4.5 million.

Of the total population, 90%, or 7.9 million, are said to be "functionally urbanised" since they are oriented to work opportunities in the urban areas. Many are "circulatory migrants" as the region is the largest provider of jobs to migrant workers, including those from far-flung homelands such as Venda, Lebowa, etc., with resulting problems of ascertaining permanent needs in housing, electricity and so on. Despite the economic decline highlighted below, Central Wits still has the largest labour absorption capacity in the formal economy, greater than the average for South Africa

FOOTNOTE. **In this paper, the PWV area generally excludes Bophuthatswana and Kwa-Ndebele and comprises Central Witwatersrand, East Rand, West Rand, Pretoria and Vaal. This follows the description in the CWMC paper of 1993. However, as indicated in the text, in some cases data is taken from sources which include parts of Bophuthatswana and Kwa-Ndebele.*

as a whole. It is thought that 20% of the people in the townships are illegal migrants from Mozambique and other neighbours. Correspondingly, it has a smaller labour absorption rate in the non-formal economy.

Of the total potential economically active population in the urban areas, it is estimated that 50% are located in the formal sector, 25% in the non-formal sector and 25% unemployed. In the non-urban areas, about 40% of the active population are unemployed. The population is significantly youthful, with "little education", "essentially unskilled and poor" and with a large unemployment rate (DBSA). Furthermore unemployment is increasing in the formal sector, with only commerce, finance and services showing positive growth in employment.

b) **Employment:** Of the Gross Geographic Product (GGP) Commerce contributes 23.9%, Finance 20.5%, Manufacturing 19.2%, Services 16.3%, Transport 10.9%, Energy 3.9%, Construction 3.7%, Mining 1.2% and Agriculture 0.4%.

The distribution of employment according to economic sector in 1991 was: Agriculture 3.3%, Mining 8.6%, Manufacturing 19.4%, Construction 5.6%, Commerce 16.5%, Transport 6.0%, Finance 8.6%, Community, Social and Personal Services 30.7%. (Central Witwatersrand Metropolitan Chamber 1993 Annexure 7)

These figures do not indicate that some industries have a major multiplier effect. Mining has large backward linkages for intermediate inputs which are important to the PWV and the decline in mining in the last decade has had serious effects.

c) **Economic decline:** During the last decade the PWV region has stagnated and declined in economic capacity and in share of GDP compared to the rest of the country, in particular relative to secondary urban centres such as Bloemfontein. In the Central Wits area, which is crucial for the region, there has been an absolute decline in output in manufacturing and relative decline in every other sector. There is therefore a decline in overall labour absorption capacity, with the possible exception of financial services.

From 1980 to 1991, employment in agriculture fell from 80,258 to 64,511, in mining and quarrying from 216,623 to 168,527, in manufacturing from 522,330 to 378,919, while employment rose in finance, insurance and real estate from 115,785 to 167,113. Total employment fell slightly from 1,999,911 to 1,953,663. In the Central Wits area it fell from 601,240 to 547,777. This compares with the figure for the whole country over the same period, where employment rose from 7,560,400 to 7,911,400. (CWMC report, 24 March 1993, Annexure 6)

PWV agriculture had a strong growth rate for output but not employment during 1980-90, partly due to small holdings with part-time farmers, while manufacturing and construction declined significantly in the Central Wits area. Commerce and other services also grew in the PWV area but both fell in the Central Wits during 1970-90.

There was an absolute decline in formal employment in manufacturing of 39.5% between 1980 and 1991 in the Central Witwatersrand. There was also a collapse in PWV finance as a share of GDP due to the decentralisation of financial services across the country.

In recent years industrial growth prospects for the Wits Central area have been identified as lying in food, beverages, paper and paper products, industrial chemicals, other chemicals, plastic products, iron and steel, non-ferrous metal basic industries and electrical machinery.

Industries which are stagnant are: tobacco, wearing apparel, rubber products. Declining industries are: textiles, leather, footwear, wood and cork, furniture, printing and publishing, other non-metallic mineral production, machinery and equipment, motor vehicles, parts and accessories, fabricated metal products and transport equipment. (CWMC 1993 annexure 12).

d) **The informal sector:** The informal sector is often seen as a potential growth area. In 1990 this sector provided full-time employment for an estimated 1.7 million persons and part-time employment for another 2.8 million. This sector contributed 6-8% of total GDP and employed about 20% of the full-time labour force (i.e. 25% of the urban population).

The activities which predominate in the informal sector are trade and hawking 36%, manufacturing 20%, home crafts 14% and services 11%. In the townships the following are found most commonly: taverns, spaza shops, hairdressers, taxi/bus services, dressmaking, room renting, shoe production and repair, traditional healers and knitters. In city centres flea markets and hawkers are proliferating. (CWMC 1993)

Most significant is that the informal sector is mostly made up of traders, with a paucity of production enterprises. (Joffe et al 1993)

e) **Incomes:** In relation to the country as a whole, PWV employment is declining but its contribution to taxation is increasing. This is because there are very rich corporations and individuals in the PWV with the highest personal income per capita in the country.

Income per capita statistics are meaningless, however, in so far as they are averaged across the region or even within specific areas. Johannesburg averages are wholly different from those of the homelands for example. Soweto constitutes a specific area quite different to the Northern suburbs of Johannesburg.

f) **Welfare:** There is evidence of extreme disparities in general welfare in the PWV and the overall rate of health is deteriorating. An indication of the distortions practiced under apartheid is shown in the data on spending by local authorities (**Table 2**).

Land for housing is in great demand but disparities in land use are very great and densification is resisted strongly. There is, however, much state land which could be used for housing though not for farming.

g) **Education:** Education data for the PWV shows that 12.8% of people have no education at all, 27.6% have primary education, 47.2% secondary and 12.4% tertiary. Educational provision for blacks is often very poor; for instance, there are high schools in Soweto which do not even have electricity and the entire township of about two and a half million people does not have a single bookshop. Library provision is so basic as to be an embarrassment to any educationist. The consequences for human resource development are obvious, especially when it is coupled with a long legacy of lack of on-the-job training.

All these factors have serious implications for future prospects. If the new government is not seen to be delivering in those areas it will inevitably affect the democratic process. Matters will be even worse if an IMF structural adjustment programme (SAP) is instituted. It will then be seen that the main burden of adjustment falls on the poor. IMF-type structural adjustment programmes are known to be "harsh medicine" with no time scale for recovery. This will not generate the essential climate of hope that is so urgently required in South Africa.

Furthermore, as will be shown below, orthodox growth economics and liberalisation advocated by the IMF and World Bank will not generate a sense that the new government is opening the windows of opportunity for people who have been disadvantaged for so long.

We cannot leave the white enclave untouched, but the emphasis should be on developing an alternative economy which will open doors for all and not just redistribute resources from whites to blacks.

4. A STRATEGY FOR RECONSTRUCTION AND DEVELOPMENT IN THE PWV

An economic strategy for the democratic transition in South Africa must be primarily driven by broad political considerations which will be widely perceived as legitimate. Of course, the strategy must be economically viable, otherwise the political objectives will be defeated by the failure to deliver on material promises.

The principle political objective is the transfer of real power to the people, including economic power. Earlier perceptions were that a people's democratic government would restructure the economy and it was thought that there would be substantial nationalisation of the commanding heights of the economy.

Present thinking, however, departs substantially from these positions. Substantial nationalisation is no longer upheld and the modalities of state intervention are not clearly set out. This paper cannot deal with these matters, but it must take account of the reality that restructuring from above

will be limited. An alternative strategy is needed. That strategy is a clear reconstruction and development path which assumes that there will be much scope for bottom-up, people-led initiatives in order to empower black communities and individuals and to raise their incomes. While few argue for immediate drastic measures to undermine white living standards, the old "lifestyle South Africa" cannot continue to be subsidised. It may be necessary to place curbs on luxury imports and there will certainly be a redirection of scarce resources to the poor communities.

The main purpose of a reconstruction and development strategy is to generate economic advance through mechanisms other than the conventional growth model.

The objective of such a strategy would be to reorient some existing industries to :

- produce mass consumer goods
- use labour intensive methods
- serve local suppliers and markets
- move towards higher skilled labour and better paid jobs as appropriate
- promote black staff to senior positions under appropriate training schemes
- build networks among firms to promote linkages and self sustaining development

These objectives have important implications for an economic policy for the PWV:

i) This region contains the major industrial base in the country and has the responsibility of getting our industrialisation strategy right

ii) We obviously want to overcome the stagnation in industry and take up slack and spare capacity. This will provide jobs and use internal investment productively, not for speculative purposes or unnecessary property development. This does not mean, however, that we increase the size of the existing skyscraper absolutely.

iii) This raises the critical issue of whether the state should play a role in boosting existing industry bearing in mind the inherent problems; namely, that it will soak in imports especially of capital goods, causing strain on the balance of payments in the present climate of unfavourable terms of trade and protectionism in the North. This will lead to pressure on foreign exchange reserves and hence to borrowing from the IMF and World Bank, the short road to foreign indebtedness and surrendering to their policies which have devastated so many Third World currencies and economies. Avoiding too rigid positions we can nevertheless take account of relevant issues such as whether support for existing industry will further distort the balance between industry and the rest of the economy, absorb labour and intensify urbanisation, strain the existing infrastructure such as roads, water supply and other services.

Thus the main thrust of a credible transition programme will have to address two main distortions:

i) Present manufacturing is heavily skewed to providing commodities for the upper and middle level consumers

ii) Public services are heavily loaded towards subsidising the same minority social groups

Some of the existing manufacturing capacity will have to be encouraged to shift to producing mass consumption goods based on local inputs wherever possible. The black population is growing fastest so this is where the expanding markets will be. Furthermore, luxury-type goods are often dependent on imported components and the proposed shift will lead to savings on foreign exchange as well as encouraging internal linkages. It is also likely to be more labour intensive and absorb more of the unemployed and rising population. (**See diagram: South Africa's Expanding Economy**).

Political power will have to be exerted to redirect public expenditures from white suburbs to meet basic needs, infrastructure and services in the black townships. Public expenditure will certainly have to be directed to better welfare provision, but emphasis should be given to generating new

productive capacity in small black enterprises of all kinds, with the related training and technical support. This must be seen less as an end in itself and more as a stepping stone to creating a new expanded industrial base in a nonracial and democratic economic structure.

Emphasis on public investment in productive capacity and services which provide an economic return such as housing and electricity, as opposed to welfare spending, will mean that there will be returns on investment thus safeguarding macro-economic balances and ensuring that development is sustainable. This investment will also generate further development through demand for electrical goods, furniture, household goods, paint etc.

Jobs will need to be created through a massive public works programme, owned and controlled by community based organisations where possible, directed to township roads and infrastructure with a built-in training programme. Since the shortage of skills is a major factor in taking the labour-intensive route, major training programmes will be needed. These programmes should attempt to be sustainable with a roll-on effect. This kind of programme is more effective as a redistribution mechanism than welfare or non productive jobs such as rubbish clearing, since it provides both skills and enhances productive capacity. However the bulk of educational provision should not be directed to skill training.

It is equally urgent that a large number of black people be brought speedily to the point where they are able to exercise leadership and management at all levels of society. This is as important as any other single goal in the post apartheid period. Nor should training be for public sector jobs alone, but directed to breaking down race-based skill divisions throughout the economy.

Encouragement should be given to small enterprises, including cottage industries, which create jobs cheaply, while at the same time legislating for humane working conditions. This will give space for black entrepreneurs, especially if cartelisation by existing large business is declared illegal and regulated. State departments and parastatals can give a major impetus to small black enterprises by insisting that a significant percentage of any contract be fulfilled by small black enterprises. The private sec-

tor could be encouraged to follow suit. This is a well-established practice in the United States. These measures would do much to expand the economy laterally, create a new market and encourage a symbiotic relationship with big business. (Tomlinson 1993).

Small firms should be supported through deregulation, low cost finance, business training, technical and marketing advice, cheap, accessible premises and shared equipment and administrative services.

Handicrafts need to be encouraged, especially sewing and knitting, carpentry, welding, basket making especially in cooperatives in the townships. Cooperatives are less likely to be exploitative and more likely to nurture a workforce and redistribute economic surplus. They are also likely to have a comparative advantage because there is a local market in the townships which was previously neglected. Care will have to be taken that these are not more exploitative than other enterprises and their legitimacy may depend on this factor.

Some of the above activities will serve external markets, others local demand, with the latter being rather rudimentary in the first instance. But the perspective should be to move them beyond mere survival and equip them with skills and resources to expand.

The provision of local services is also important, such as cultural industries, entertainment, music, sports, cleaning, catering, cafes and bars — all can be important for income generation and enhancing living conditions. Some also promote racial integration, self-esteem, confidence, etc. with wider economic spin-offs. Community-based organisations could have a large role in these.Local labour should be heavily used in laying water pipes, building houses, providing roads, operating refuse collection, providing school meals and hospital services.

Intensive small scale black farming on vacant land in the peri-urban areas of the PWV to supplement incomes and diets should be encouraged. Mining land could be used as well as dolomite land which is unsuitable for housing due to structural problems in the earth's surface.

The housing industry could be set in motion by assistance to individuals and groups setting up small building enterprises. This should be on the basis of densification and infill so that the servicing of the very substantial low density housing areas becomes more economical, reducing people's travel costs and making urban economies better integrated and more productive. Land is available for this purpose. (Table 5).

More social control is needed over pension funds, insurance companies and other financial institutions to direct resources away from speculation, foreign investment, capital flight and property and towards production for reconstruction and development.

Subsistence and low income farmers in rural areas should be encouraged to raise productivity through support with improved farming implements, fertilisers and pesticides, technical and marketing advice and low cost loans. Peasant cooperatives should also be encouraged as an important organisational basis for raising food production and transforming rural agriculture. These will require the provision of expanded agricultural extension services and linking agricultural research institutes to direct agricultural producers.

6. CONCLUSION

Some of these issues are being debated in certain government and parastatal institutions. It is understood that government consumption expenditure is under critical examination. The central issue is not reduction but redirection to ensure equity and enable greater and broader participation in production across the population in a way that will benefit the previously excluded and disadvantaged black majority.

The focus must therefore be not simply on growth, nor on short-term employment creation. The latter goal could be achieved by "make-work" palliative measures such as street cleaning. Such strategies, however, would not be sustainable and they would also be inflationary and associated with budget deficits.

Given the country's history of distorted growth, a custom-built strategy is needed from within the country. The critical issue is integrating the "disconnected third world economy" in South Africa within which 80% of the population is trapped and opening up vast new productive opportunities for them, based on democratic participatory principles which will empower individuals and communities in decision making and with new capacities which will enhance their quality of life.

Growth, seen merely through the prism of quantitative increase of goods and services, based on investment in the existing high points of the economy, should not be the leading edge of economic strategy. Growth should come much more as a consequence of reconstruction and development with a high level of participation by the people and through their enjoyment of a role in the production and consumption of goods and services. This will generate a far more democratic and community-relevant development which at the same time will help overcome the apartheid legacy.

Development of this kind will also enable the country to observe tight fiscal and monetary discipline since expenditures will be directed to sustainable productive effort rather than to unproductive welfarist consumption.

To sum up, the essence of the case made here is that we need to move to the basics of a human-centred development strategy. This includes:

- production for the people
- community based development
- small enterprise promotion
- training at all levels
- investment in people
- people's empowerment through democratic participation in decision-making at all levels of society

APPENDICES

Table 1: Household Incomes in Central Witwatersrand, 1990

	WHITES	INDIAN	COLOURED	AFRICAN	TOTAL
0-999	17%	24%	60%	90%	58%
1000-1999	27%	50%	26%	9%	17%
2000+	56%	26%	14%	1%	25%

Source: Infraplan (1991)

Table 2: Spending by Local Authorities in Central Witwatersrand, 1992/93

Local authority (population)	Capital spend per capita(R)	Operating spend per capita (R)	Total spend per capita(R)
Predominantly black areas			
Greater Soweto			
(1,800,000)	85	283	368
Alexandra			
(215,000)	59	39	98
Predominantly white areas			
Randburg (140,000)	348	1,387	1,735
Sandton (142,000)	665	1,482	2,147
Roodepoort (142,000)	87	1,999	2,386
Johannesburg (995,000)	530	2,276	2,806

Source: Central Witwatersrand Metropolitan Chamber

Note: Greater Soweto is an amalgamation of Soweto, Diepmeadow and Dobsonville City Councils. The population figures for Greater Soweto and Alexandra are likely to be underestimates. Township sources suggest that recent immigration may have increased them by up to 50 per cent. This would reduce the total spend per capita figure to about R245. At the time of writing there are R4.5 to the pound sterling.

Table 3: Water Consumption and Service Quality in Central Witwatersrand, 1991/92

Local authority	Water consumed per person p.a. (kilolitres)	No. of people without water piped to house	Time emergency service available
Predominantly black areas			
Greater Soweto	53	481,000	6.5hrs x 5days
Alexandra	22	203,500	14 hrs x 5days
TPA informal settlement	n.a.	110,000	8 hrs x 5days
Predominantly white areas			
Randburg	115	7,000	24hrs x 7 days
Sandton	158	4,000	24hrs x 7 days
Roodepoort	85	0	24hrs x 7 days
Johannesburg	151	6,000	24hrs x 7 days

Source: Deloitte & Touche

Note: The population figures for Greater Soweto and Alexandra may be underestimates, and water loss through bursts and leaks are likely to be higher than elsewhere due to poor maintenance, so consumption levels may be lower than indicated in the table for these areas. The figures in the second column for these areas are also likely to be underestimates due to undercounting of people in informal settlements.

Table 4: Population Densities in Central Witwatersrand, 1992

Local authority	Population per hectare of developed land
Predominantly black areas	
Alexandra	688
Dobsonville	229
Soweto	158
Diepmeadow	151
Predominantly white areas	
Johannesburg	44
Randburg	22
Roodepoort	14
Sandton	12

Source: Deloitte & Touche, 1993

Note: The population density figures for the black areas are likely to be underestimated due to recent immigration. The true figures for Greater Soweto, in particular, may be up to 50 per cent higher.

Table 5: Status of Land in Central Witwatersrand, 1992

Local authority	Developed (ha)	Undeveloped (ha)
Predominantly black areas		
Alexandra	462	234
Dobsonville	700	7
Soweto	7,000	0
Diepmeadow	1,900	1,885
Total	10,062	2,126
Predominantly white areas		
Johannesburg	25,639	19,342
Randburg	5,800	3,300
Roodepoort	12,320	5,280
Sandton	14,315	0
Total	58,074	27,922

Source: Deloitte & Touche, 1993

SOUTH AFRICA'S SKYSCRAPER ECONOMY

South Africa's economy is one of the most lopsided in the world.

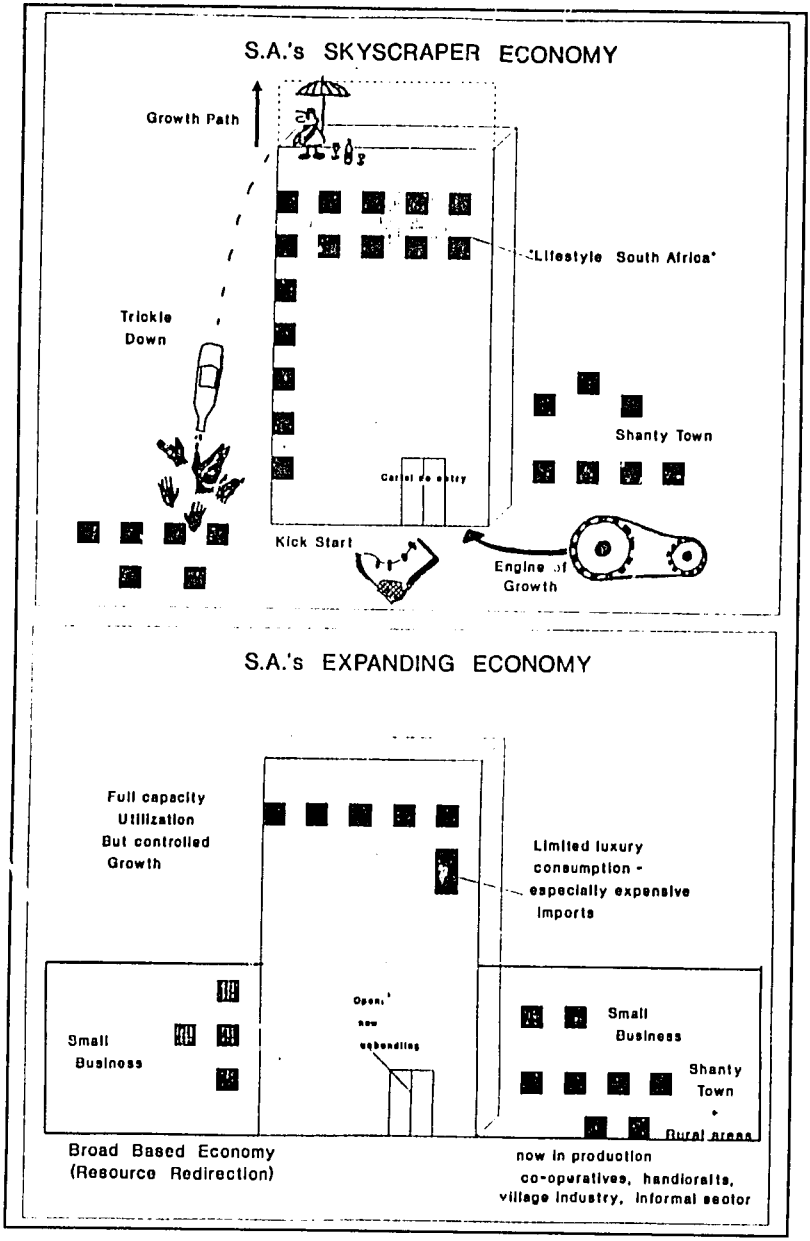
- It is owned by a minority of the white minority.
- It serves mainly white minority interests.
- The goods and services produced are mainly directed at this minority.
- Black people are marginalised providing mainly their labour and purchasing power

OWNERSHIP

- Four large corporations control 81% of share capital (Anglo-American, Rembrandt, SA Mutual and Sanlam).
- 20 families hold shares worth R10,7 billion plus vast dditional personal assets.
- Whites own 87% of the land.
- 5% of the population own 87% of all personal wealth.

DISTRIBUTION OF INCOME AND SERVICES

- South Africa has one of the most unequal income patterns in the world.
- Whites earn 9 times as much as Africans.
- 84% of the population earn less than $600 a month.
- 86% of the population earn 40% of available income.
- 14% of the population earn 60% of available income.
- 50% of the population live below the poverty line.
- 33% of the population are illiterate.
- 40% have no paid jobs (about 7 million).
- Escom charges black users at the rate of 21.5 cents a KWH but white users pay only 9 cents a KWH.


S.A.'s SKYSCRAPER ECONOMY
Growth Path
"Lifestyle South Africa"
Trickle Down
Shanty Town
Kick Start
Engine of Growth
S.A.'s EXPANDING ECONOMY
Full capacity Utilization But controlled Growth
Limited luxury consumption - especially expensive imports
Small Business
Small Business
Shanty Town
Broad Based Economy (Resource Redirection)
now in production
co-operatives, handicrafts, village industry, informal sector

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SOUTH AFRICA'S SKYSCRAPER ECONOMY: GROWTH OR DEVELOPMENT?

BY BEN TUROK

INTRODUCTION

ANYONE who is familiar with the environmental debates in Europe and America knows that growth has become a dirty word. Growth is associated with pollution, environmental degradation and unsustainable greed for luxury goods. While there is a certain acceptance of these positions in the Third World, there is nevertheless an understanding that additional resource creation is needed to provide for even basic needs. The solution, however, is formulated in terms of sustainable development rather than growth models.

These issues have not yet been thrashed out in South Africa where the thrust for growth is common currency across the political spectrum. This discord with the rest of the world cannot be healthy and this paper seeks to unravel what the discussion is all about. But first some comments on the character of the South African economy.

South Africa has the most distorted socio-economic structure in the world, polarized by apartheid into black and white, privileged and oppressed. That some people have escaped from each category does not diminish the structural character of the divide. This structure has been built by a minority of the white minority so that we have a kind of skyscraper surrounded by shanty-town, reflecting the essence of the apartheid system. The sky-

FOOTNOTE: *Paper presented at Earthlife International Conference 14-18 September 1992, Pietermaritzburg, South Africa*

scraper is owned and controlled by a tiny power group who ensure that it serves their interests.

Hence, the dismantling of apartheid and the achievement of social justice requires the restructuring of these blocks and the transformation of the economy. It requires above all a development perspective which will bring new capacities, human and material, to the black majority.

A development perspective is different from the orthodoxies of growth path approaches which, no matter the intentions, will only strengthen the existing economic power bases. Whether the justification is increasing export revenues or making industry more high tech and more efficient this will only sustain the existing inequalities of wealth and power without any worthwhile "trickle down" effect.

While the orthodox use of growth is problematic there are also problems with notions about redistribution. This is often interpreted as welfare provision, as creating demand by state spending, or as once-off allocations or even re-allocations. Some critics argue that it may be introduced as top down intervention. The most constructive approach to redistribution is to see it in the form of development capacity enhancement and this paper argues for a change of terminology. "Sustainable development" requires a perspective of structural transformation and an enabling political environment; it regards people as both means and ends of economic and social policy, protects the environment because it is under democratic control, safeguards resources for future generations, creates new productive employment opportunities for the disadvantaged, develops the whole human being, constrains the opportunities of those with wealth and power and brings out the most creative qualities in planners as well as communities.

THE INHERITED SOUTH AFRICAN ECONOMY

The Nationalist Party which now seeks the mantle of reformer was originally responsible for driving South Africa into a cul de sac of the most cruel kind. The Verwoerdian dream pushed the country much further along its previous route so that it became one of the most lop-sided socio-

economic systems in the world. What has emerged is a skyscraper surrounded by shanty-town, resembling symbolically the massive inequalities and injustices of the global economic system as well as the distortions within Third World countries themselves.

Two important dimensions to this phenomenon in South Africa are the pattern of social inequalities and the concentration of ownership and wealth.

Taking social inequalities first, 80% of the country's wealth is owned by 5% of the people, white people earn nine times as much as Africans, 6,000 people earned over R250,000 a year in 1990, 86% of the population altogether earn only 40% of available income, 50% live below the poverty line and 40% do not have paid jobs.

As to wealth inequalities, four large corporations control 81% of share capital, 5% own 87% of all personal wealth, 20 families hold shares worth R10,7 billion, 87% of the land is owned by whites. The white controlled state which also serves white interests first accounts for 29% of GDP.

So we have a system which distributes its rewards unequally. Even worse, it provides goods and services in a highly unequal manner. Escom charges black users at the rate of 21.5 cents a KWH but white users pay only 9 cents a KWH! Much of manufacturing is oriented to luxury goods. We make Mercedes Benz luxury cars but few bicycles. (South Africa is possibly one of the few middle-level countries which does not make a poor person's bicycle). We manufacture sophisticated electric stoves but no simple cheap ones. We produce expensive hi-fi equipment but not cheap cassette players. It is a system owned by a minority of a white minority, serving minority interests, pandering to their needs.

Worse still, the system is now an impenetrable web of concealment and dishonesty. Officials, business representatives and the press constantly harp on the low rate of return on capital. Yet De Beers, Iscor and Sasol have come near the top of their respective sectors in the world in profitability. De Beers is the second-most profitable company in the world with profits of 24.6% as a percentage of sales. (Sunday Times 6.9.92)

The police are now investigating 19 982 fraud cases to the tune of R375 billion, which is more than the GDP. The implications of this are that fraud and looting are so widespread that there is no reliable statistical base for policy in South Africa.

What kind of policy will transform such a rotten, distorted system? Should South Africa aspire to a city-based economic system like that in the US where 80% of the population live and work in the cities and where urban jobs are the main source of income? Or should we go for a diversified economy combining urban and rural areas in a balanced development scheme?

GROWTH AS THE SAVIOUR

The conventional view is that post-apartheid South Africa (PASA) will only be able to redress inequalities "if it achieves growth". "Growth seen as the saviour of the destitute" read a recent headline to a story about Anglo American plans for a market based economy but which contains a poverty alleviation element rather like the World Bank's safety net. (Saturday Star 5.12.92). There seems to be no understanding that with poverty on the South African scale, the poverty net would house about half the population. Others seem to follow a similar approach. "Without significant growth in our economy we will not be able to address the pressing problem of poverty and inequality confronting our people." (ANC Discussion Document, 20.9.92).

Yet there is abundant evidence that substantial growth in output, profits and white wages, achieved as the National Party implemented apartheid, actually widened differentials between white and black workers. (Mc Grath 1989:92). It also undoubtedly worsened conditions for those not in paid work and particularly those in the rural areas. Indeed those dispossessed of land and jobs and removed to rural "homelands" are the lost people of the country.

This is a well known global phenomenon. US studies showed that in the 1980's "the weekly wages of the poorest group actually declined despite rising real GNP." ("What ever Happened to Trickle Down", The NBER

Digest May 1992). So the record in South Africa and elsewhere clearly shows that there is no necessary connection between growth in a lop-sided economy and decent living standards for the population as a whole.

We must distinguish between growth in a lop-sided economy and growth of a balanced economy where the overall expansion of goods and services throughout the economy is based on sustainable development. This is qualitatively different from conventional conceptions of growth.

Arguments for growth are generally accompanied by the advocacy of free market forces and the private sector. There is a general understanding that a democratic South Africa will sustain a private sector and that it should be dynamic. But it should not be confined to the present skyscraper and it should not be seen as the only means for growth. We do not want growth for growth's sake in the sense of a simple statistical indicator.

Nor do we see the need for an explosion of free market forces which will favour the powerful against the burgeoning small business and informal sector. The private sector must "grow" but this must be in a carefully nurtured form so that the disadvantaged are the main beneficiaries - not through welfare but through a genuine increase in the resources they command and in their share of the national cake. This will require strategising not only at the level of the state but also throughout the various institutions in the country to ensure that there is a deliberate effort for capacity building throughout the country.

GROWTH AND REDISTRIBUTION

A discussion document on economic policy prepared for an ANC workshop held in Harare in 1990 urged "the necessity for a new growth path" because "without significant growth in our economy we will not be able to address the pressing problems of poverty and inequality confronting our people." However the document rejected the view of growth of the apartheid era which led to little by way of "trickle down", arguing that growth cannot be based on the production of luxury goods. Instead the engine of growth should be measures leading to the "satisfaction of the basic needs of the impoverished and deprived majority of our people."

More recently debate has focussed on the most appropriate formulation around the concept of growth and redistribution.

Two main positions have emerged, that of the IMF and business which argues that only growth will create the resources needed for redistribution, and even then it will not be as substantial as is needed. The other view is that redistribution will be the engine leading to growth.

Alec Erwin has surveyed the debate (African Communist No. 129, 1992) and suggests that there are two broad approaches to "growth" — that which gives "profitability" primacy and secondly that which "stresses redistribution as the basis for viable, profitable and long term growth". However there is much that needs to be unravelled in his formulations.

In much of Third World literature the notion of "growth" is rejected since it is generally used in conjunction with a statistical approach (e.g. growth per capita) which reveals little about what is really happening. For example the discovery of oil or precious stones immediately produces growth without there being any real advance in the economy or in the way it delivers goods and services.

But there are also certain reservations about redistribution. The reasons for this can be seen from a further examination of Erwin's paper. "Redistribution implies that the revitalisation of existing structures will create surplus resources that can then be transferred to those unable to benefit from the growth within the existing structures." (p19). This implies that the disadvantaged are dependent on surpluses created in existing structures — in the South African case, the skyscraper economy.

He also distinguishes between "growth and redistribution" and "growth through redistribution" arguing that:

1. Growth AND Redistribution implies a trickle down effect
2. Growth AND Redistribution implies social expenditure and wealth
3. Growth THROUGH Redistribution implies that growth is dependent on redistribution

According to Kaplinsky the first formula was originally meant to convey that "everyone grew richer, but the poor relatively more so" (Kaplinsky 1991:49) while the latter implied that addressing poverty as a social priority would be the economic basis for sustained growth. (This interpretation is confirmed in the SACP Economics Forum paper in the same journal which states "Growth Through Redistribution" means a "demand led spur to growth").

However Erwin tries to break out of the semantic trap of growth and/through redistribution, and argues for a "growth strategy" which involves "a redistributive process that not only deals with income but with the location of employment, production, products and their consumption in the economy. A redistribution of the access to economic power and skills ... in effect, developing the socio-economic capacity of the society across the widest front and involving the maximum number of people."

Kaplinsky also gives a wide meaning to redistribution: "accumulation depends upon the prior redistribution of resources" which include income, political power, educational and training opportunities, power of labour, housing, land and so on. (Kaplinsky 1991:5)

But both these authors are actually talking about development as it is commonly understood across the world! The substitution of development for growth/redistribution would clear up many misconceptions, take us out of the quagmire of orthodox economics and create the foundation for a large coalition of interests all favouring a developmental approach.

This approach is made even more necessary in the light of the strong critique of the Growth through Redistribution school which was made by Terence Moll who argued that "To solve the problem of inadequate productive capacity, the supply side of the economy needs attention and restructuring, not demand." (Moll 1991: 319). He questioned the ANC view which he calls "demand-oriented fantasies" for "redistributing resources in such a way that new patterns of demand are created to which our productive sectors can respond."

The central plank of the critique is that the increase of nominal demand leads to the outpacing of the productive base of the economy (consuming

more than is produced) resulting in rising inflation, scarcities, or unsustainable levels of net imports. Hence redistributive strategies based on changing demand are dangerous and unlikely to succeed. In particular what should be avoided is drastic rises in government spending or in worker earnings (the classic path taken by independent African governments).

Although critical of a demand based redistribution, Moll is no advocate of a simple conventional growth path. Instead he advocates the reorganisation of the supply side to encourage growth and to redistribute assets directly to the poor not for consumption but to encourage productive activities.

It is clearly time to move away from the growth-redistribution approach to economic policy and to identify those developmental priorities which generate increased production across the economy and which can deliver on the promises to the people.

OVERCOMING STRUCTURAL DISTORTIONS

Two aspects of the existing economy will have to be overcome by a restructuring which will favour the deprived majority. First the manufacture of luxury goods — which are often dependent on substantial imported inputs — must be frozen. Instead the manufacture of mass consumption goods as well as those products that will facilitate the emergence of a new handicraft industry in the townships and rural areas must be encouraged.

Second, the export orientation of much of our industry must be re-examined. South Africa continues to depend principally on partially beneficiated and value added primary goods. Yet the prices for these goods are falling world-wide and protectionism is growing apace. In an unusually frank statement, Derek Keys said "Prices of precious metals have been falling steadily. A fall of $40 an ounce in the gold price — and we have suffered more than this — is more than sufficient to eliminate the net benefit of many export-directed projects of the kind we are encouraging." He added "Due to bloc formation — in particular the EEC — the terms (for

SA exports) have become steadily less advantageous". Furthermore, "part of our inflation rate was due to the ever increasing prices paid by us for EC products." (Business Day 27.3.92).

In other words, South Africa faces the same widening of the terms of trade as the rest of the Third World but the implications of this trend are studiously avoided in most economic writing and the urge for more exports continues unabated. A restructuring of the economy must take account of the vicissitudes of export orientation.

Restructuring must also re-examine the fact that the means of production lie almost entirely in the hands of a minority of the white minority. Since black capital is minuscule this means that serious efforts must be made to expand the economy laterally by increasing the capacities for productive work by the presently deprived. This requires the redirection of financial resources to rural and urban blacks.

The rural dimension is both important and problematic. Because black people have been forced into uneconomic settlement areas, the temptation is to say that there is no future there. But since 40 to 50% of the black population, largely the poorest, live in these areas and depend to a considerable degree on some kind of agricultural support, the better option is to direct increased resources in that direction.

Such a strategy is desirable on human grounds, namely, improving the lives of millions of people in the places where they live. But it is also desirable on economic grounds in that agriculture is the cheapest form of multiplying employment of all economic sectors. For every million Rand increment in agricultural production, 100 jobs are created compared to 83 in construction, 52 in gold mining and 45 in transport.

How resources are to be introduced effectively has not been addressed, but progress will not be made if we follow the kind of path set out by Erwin in another paper "The Post-Apartheid Economy: Planning for Prosperity", where he proposes a framework which includes issues like unemployment, poverty, housing, health and education. but not expanding productive capacities to those without work. (IDASA Occasional Paper No 27). Indeed it is evident that some in the trade union movement regard the

unemployed largely as recipients of welfare and not as potentially capable of gainful work.

PEOPLE-CENTRED SUSTAINABLE DEVELOPMENT

The alternative to "growth path" thinking is clearly "people-centred sustainable development". Curiously, even the World Bank, with its renewed efforts at overcoming criticism is also talking in these terms. The World Development Report on Development and Environment, 1992, states that self-empowerment requires:

- Community-based control of natural resources
- Access to funds, technologies and education
- Creation of units of economic management working in the market place and governance
- Priority aid for women and their empowerment
- Community access to produce or gain access to necessary goods and services

The Report also places much stress on "People's Participation" in that governments are urged to recognise people's movements of all kinds that should be partners in decision making and implementation.

The track record of the Bank in promoting ordinary people's interests is not impressive. Indeed the Bank cannot operate without a country's prior adoption of a structural adjustment programme (SAP) and that involves rigorous cuts in public spending with the consequent effect of increased unemployment and all the other "harsh medicines" designed to cure economic ailments. It has been shown that these programmes cannot be implemented without resorting to authoritarian regimes, which are hardly likely to countenance "Peoples Participation" or "People-centred Development".

Others who press for people-centred sustainable development also reveal shortcomings in the way they put their case. In arguing for grass-roots, bottom-up development they fail to provide scientific support for the view that it will actually provide the needed resources. It is heavy on rhetoric and thin on concrete measures which will deliver improved real living

standards. Some who champion the creativity of the people, who emphasise the primacy of human relations, living and working together in what are often artificial collectives, do not actually advance the cause of real improvements.

This is not to say that these values are negative or that they can be dispensed with. But there is an obligation on developmentalists to ensure that a particular strategy does deliver material goods or it will not be sustainable. Much new work has to be done on how a development perspective, based on people-centredness, can mobilise resources on a sounder basis than the conventional growth path.

THE INFORMAL ECONOMY — SAVIOUR OR COP-OUT?

The role of the informal sector in the economy of South Africa

BY DANNY KEKANA

1. INTRODUCTION

THE major task of this paper is to discuss the informal sector in Africa particularly as it relates to South Africa. The paper contains sections with (1) a definition of the informal sector (2) an outline of the theoretical framework that informs this paper (3) a focus on unemployment statistics (4) the place of the informal sector in Africa and South Africa.

2. DEFINITION OF THE CONCEPT "INFORMAL SECTOR"

Hart in 1973 introduced the definition of "informal sector" by drawing a distinction between "wage earning" and "self-employment" (Hart 1973). The definition remained unchallenged for almost fifteen years. Today the meaning of informal sector is confusing and unclear.

Hart identified wage-earning employment as part of the "formal" sector and self-employment as part of the "informal" sector. Although it is generally accepted that "informal sector" participants are usually self employed, there are countless examples of self-employed persons (e.g.

FOOTNOTE: *Background paper written in 1993.*

self-employed registered chartered accountants, investors, lawyers etc.) who rightly belong to the "formal" sector.

The concept "informal sector" has been used differently under different circumstances. At times it has been regarded as synonymous with the urban poor, or with people living in slums or squatter settlements or with immigrant populations of cities.

Chris Rogerson's paper entitled "First Decade of the Informal Sector" makes the distinction between the formal and informal sector by identifying the following characteristics:

i) Informal sector consists of economic activities characterised by:

- ease of entry into the activity concerned
- reliance on indigenous resources
- family ownership of enterprises
- small scale of operation
- labour-intensive and adapted technology
- skills acquired outside the formal school system
- unregulated and competitive markets

ii) Formal Sector is characterised by:

- difficulty in entry by new enterprises
- frequent reliance on overseas resources; often corporately owned
- operating on a large-scale in markets protected by tariffs, quotas, and trade licences
- use of capital intensive and often imported technology
- workers with formally acquired skills, often expatriate

It is finally important to realise that people involved in the informal sector are often engaged in heterogeneous sets of activities. Examples of the informal sector range from illegal economic activities (drug dealers, hired murderers, prostitutes, beggars) to those that may eventually be legalised (pirate taxis, shebeens etc.). This heterogeneity in the type of economic activities defined as belonging to the informal sector causes confusion and is the main problematic in defining the concept.

Informal sector working arrangements vary: a large majority consist of one-person firms who are vendors of everyday goods. Some employ family members as apprentices; a minority hire outside labour. Their scope ranges over the whole spectrum of economic activities: retail trade, construction, wood and metal working, electrical and mechanical repair and transportation.

The informal sector has been perceived as unimportant in the past and has been neglected by government and social scientists. Its role and significance to the economy, however, has changed and drawn the attention of policy makers and social scientists.

The importance of the informal sector is a subject of a heated debate especially between those in the liberal (free enterprise) and radical (socialist) schools of thought. This debate will be further elaborated upon in the discussion of the theoretical framework.

It is important to point out that any generalized definition of "informal economy" can be counteracted by countless examples which don't fit the definition. Hopefully, the discussion in this paper will enable the reader to understand to a lesser or greater extent what is meant by informal sector.

3. THEORETICAL FRAMEWORK

The persistent failure of "modernization-based policies", stressing increased industrialization, to address growing problems of unemployment in the Third World during the late 1960s and 1970s led to a growing focus on the "informal sector" and its potential to generate employment. This led to increased empirical research in the informal economy and to a growing number of theoretical formulations seeking to explain the persistence of this phenomenon (Kahn, 1980 cited in Rogerson).

The steady erosion of rural subsistence economies in the first half of the 20th century led to urbanization on an unprecedented scale. Urbanization far outstripped industrialization and formal sector employment. Unemployment and underemployment increased, along with an increase in informal sector activity.

Kahn (1980) cites three major strands of argument seeking to explain the growth of the informal sector. Firstly, the "evolutionist" approach whereby the informal sector is viewed purely as a transitional form in the development of capitalist relations of production. This approach, however, cannot explain why the informal sector is not only retained, but grows.

The "functional approach" regards the informal sector as a substitute for the eroded subsistence sector, lowering the value of labour power through petty commodity production (Lister 1980).

This explanation remains insufficient as low wages can also be maintained by other means, for example, by restricted collective bargaining rights and restricted access to formal sector employment. Lastly, in Bienefeld (1975) and Roberts' (1978) view the informal sector takes over "high risk" areas of the economy viewed as unprofitable by capital.

Moser (1978) suggests that an area of commonality and of ness in most explanatory theories is that of economic dualism, presupposing a clear division between two sectors of the economy. This ignores the complex linkages between various sectors of the economy, and the dependent relationships between production and distribution systems. She described how the informal sector is often viewed as an essentially dependent sector of the economy. A more satisfactory model is presented, based on petty commodity production and its subordinate relationship to the capitalist sector.

The solution to poverty and unemployment is often part of the debate about the theory of the informal sector concept. The theory reflects the debate about the manner in which development should be accomplished in the third world — by reform-social democracy or radical change-socialism (Moser 1978).

On the one hand, the problems of developing countries such as poverty and unemployment may be perceived as a consequence of economic structural imbalances which can be overcome within the existing social, economic and political framework. Slow but continuous change to relieve the situation and improve the existing distribution of resources is recommended to bring about gradual structural transformation.

The alternative view is that poverty and unemployment cannot be alleviated within the existing dependent capitalist social formation; consequently, the basic distribution of assets must be radically changed in order for improvement to occur. Seen from this perspective, the condition of the masses in the third world is not purely a matter of material want, but also of subordination, oppression, exploitation and disregard.

The informal sector in South Africa and to a great extent even in Africa can be analysed according to the dualism theoretical approach — i.e. the 'informal' sector is subordinate and dependent on a capitalist mode of production and it cannot exist as an autonomous sector outside the capitalist system. For example, the system of capitalism produces unemployment and poverty especially in the third world. As a result of high rates of unemployment, the working class ventures into informal sector activities in order to alleviate unemployment.

4. THE INFORMAL SECTOR AND THE ALLEVIATION OF UNEMPLOYMENT

The proportion of public sector employees as part of the economically active population decreased from 16% in 1988 to 15% in 1992. There were 1.7m public sector employees in 1992, according to the 1992 report of the Commission for Administration. During 1992 the number of people employed by central and provincial government decreased by 12 865 while the number employed by the non-independent homelands increased by 19 211.

According to the National Manpower Commission (NMC), the economically active population (EAP) of South Africa (including the ten homelands) was 13.4m in 1991, which represented an annual increase of about 2.8%. Of this number, 8m were employed in the formal economy and the remaining 5.4m (40% of the EAP) were either unemployed or operating in the informal sector. The EAP of the "independent" homelands was more than 1m in 1991 — of which women comprised 33%. The NMC said that women as a proportion of the EAP in South Africa had increased from 23% in 1960 to 36% in 1990. The average annual growth rate in the female EAP was 4.3% between 1970 and 1990, compared with 2.2% for men. The acting chairman of the NMC, Dr. Frans Barker, estimated in

1992 that the EAP would increase to 17.6 m by the year 2000, 74% of which would be African and 14% white.

According to the National Manpower Commission (NMC), the labour absorption capacity of the economy declined from an average of 97% in the 1960s to an average of only 7% during the period 1985 to 1990. This meant that only seven new job opportunities were being created in the formal sector for every 100 new entrants to the job market. The NMC said that between 1980 and 1990 job opportunities increased by 503 000, while the economically activate population (EAP) increased by 3,3m. Therefore at least 2,8m people had been added to the pool of the unemployed since 1980. However, the NMC added that if the greater participation by women in the labour market, immigration gains and increasing numbers of legal and illegal workers from neighbouring countries were taken into account, the number of unemployed had probably increased even more rapidly. The NMC estimated that in 1991 about 5.4m people (40% of the EAP) in South Africa (including the ten homelands) were without formal employment. Of this figure about 2.5m to 3m were unemployed. The NMC added that about 70% of unemployed Africans were under the age of 35 while about 60% had an educational level below Standard 6.

According to Ms. Marie Kirsten, a journalist using data obtained from 45 studies on the African informal sector, it was estimated that in 1985 the following proportions of the African EAP were involved in informal activity: 18% (250 000) in metropolitan areas, 21% (200 000) in informal settlements, 39% (704 000) in urban areas and 18% (678 000) in rural areas. In 1985 participation in the informal economy in South Africa reached an average of 23% or one out of every four economically active Africans. Ms. Kirsten also estimated the informal sector's contribution to Gross Domestic Product (GDP) in 1985 at R5,9bn or 5,3% of GDP. Furthermore, if this figure was added to the recorded personal income of Africans in 1985, it would increase from R20,6 bn to $26,5 bn which meant that 22% (R5,9bn) of the total income of Africans was unrecorded.

This was recognition that low levels of recorded unemployment exist where there is an absence of unemployment benefits and other forms of social security which force the adult population to find some means of

livelihood, legal or illegal. Working class people who are affected by unemployment seem to find work or remuneration in small-scale enterprises and activities within the so-called informal sector of the economy.

The Central Statistical Service cites trading and hawking as involving the most people (35%) followed by crafts (22%). The average net monthly income for all occupations in the informal sector was highest in transport (about R776 per month). The lowest incomes were found among those who scavenged and those who provided accommodation (R118 per month) or services (R161 a month). Traders and hawkers received an average monthly income of R460.

As in many African countries today, a large number of economic activities, carried out by large numbers of people generally go unrecorded in the official accounts. According to various estimates the informal sector employs anything from 10 to 60% of the urban labour force and quite likely contributes a quarter to a third of urban incomes (International Labour Organisation, 1985).

5. INFORMAL SECTOR IN AFRICA

The African informal sector must be understood in the context of dual-economy relations where the African economy is subordinated and on the periphery of the international economic chain. Economic dualism exists between a high profit/high wage international oligopolistic sector (first world countries) and a low profit/low wage subordinate capitalistic sector (third world countries).

In Africa it was often assumed by the modernization theorists that a policy designed to maximize GNP would provide the resources needed to develop the whole economy, ameliorate poverty and spread welfare, though redistribution of the per capita income was rarely considered the main priority. It was argued that industrial expansion would result in increased wage sector employment on the basis that there was inevitably a positive relationship between the growth of output, employment and labour productivity, while the "filter down" effect would lead ultimately to redistribution of resources and income throughout society. In this sense

the economy was conceived as a duality of "traditional" and "modern" sectors.

Rapid urbanisation led to such problems as squatter settlements and large-scale poverty and unemployment in the countries. It became apparent that the trickle down solution by the modernisation theorists was unworkable. As a consequence, the unemployed and impoverished opted for informal sector activity in order to supplement low wages and secondly as a means of survival for those who are totally unemployed.

Gender plays an important role in the informal sector in Africa because women are discriminated against in the formal sector. 63% of the informal sector participants (employers and employees) were women as opposed to only 23% in the quasi-formal sector. Women's participation is relatively greater in low-income informal sector categories (Sanchez, 1981). The majority of large-scale sellers were middle-aged men between the ages of 35 and 49 (married; with medium-sized families), while small-scale sellers were mostly women over 50 years of age, single with children, or widowed or deserted and the sole supporters of small-sized families.

Small enterprises are more labour-intensive and less capital intensive on average than larger enterprises. Unemployment in developing countries generally is aggravated by rural- migration, a very high population growth rate and the inability of the increasing population to earn a decent living off the land. In examining the informal industry in Accra (Ghana), it was found that there were 4.7 employees per enterprise, excluding the proprietor. Many family members are unable to work full-time in formal sector employment because they are ill, too old, too young, have many domestic responsibilities or are studying — but by incorporating their labour into the enterprise the family income is raised substantially.

In many countries, participants in the informal sector are young; for example in Kenya 72% of informal sector entrepreneurs were under 35 years of age. A brief examination of some survey results shows that while levels of education are generally low, there is also considerable diversity — clearly not all informal sector participants are illiterate. Informal sector operations in Soweto appear to have a much higher level of education, 40% of informal sector entrepreneurs have had some primary education; while 58% have had some middle school education (Business Day, 1988).

There is little evidence that formal education (such as literacy and numeracy) is essential for informal sector employment. Even for informal sector employers, book keeping is generally unknown and possibly unnecessary. Lipton has argued that it is the very "frangibility" of business and family finances which increase the flexibility of informal sector enterprises and is one of their major strengths, but that this does make even simply bookkeeping methods impossible. It is not surprising that participants in the informal sector are generally poorly educated.

Some studies have found that migrants are disproportionately drawn into the informal sector and that they use it as a "stepping stone" to formal sector employment. There is, however, often conflicting evidence regarding the role of informal sector for migrants. It was found that only 2,4% of participants in Nairobi's informal sector were recent migrants while 51% had lived in the city for over 10 years.

Lack of credit is a major barrier to expansion and entrepreneurs are unable to obtain capital from either the banks or the government in the quantities they need at a reasonable cost. Consequently, there is heavy reliance on internal sources for finance; e.g. owners, family and friends.

In a Lagos, Nigeria study, 80% of enterprises financed the purchase of capital equipment from their own savings and 17% borrowed from friends and relatives. Overall, 86% found obtaining capital a major constraint; consequently, they become subcontractors rather than independent businesses. In Lagos, 82% of the informal sector never attempted to obtain bank credit but, of those who did, 88% failed to get it, due to lack of security and high costs of processing small loans.

The informal sector plays a significant economic role in the urban as well as rural areas of African countries by producing goods and services in response to the needs of the population. In most African countries, production in the informal sector probably constitutes at least 20% of urban output. The informal sector is concentrated in certain sectors (retail trade and services) and is particularly absent in others (finance and mining). In Nouakohoff (Ghana), the sector produced, on the average, a value added equivalent to 8% of the corresponding activity in the formal sector.

6. INFORMAL SECTOR IN SOUTH AFRICA

The informal sector in South Africa has followed the dual model outlined in the theoretical framework. It has been dependent and subordinated to a capitalist mode of production.

Historically the apartheid government imposed legal restrictions on the informal sector; e.g. the Group Areas Act prohibited blacks from trading formally or informally in the white areas, the Influx Control Act prohibited blacks from the rural areas (homelands) from trading formally and informally in the urban areas (03-12-90 Sowetan). The township municipal councils prohibited backyard small industries and all other types of informal sector activity.

As a result of the reform policy that commenced in 1978, it was possible by the 1980s to deregulate restrictions that were imposed on the informal sector. Squatters, scavengers, taxi owners, shebeeners, hawkers, spaza shops, backyard manufacturing and repairs and factories fought the bureaucracy (15 March 1991 Star).

The taxi industry continues to struggle in the transport sector because of heavy regulations against newcomers. Business people in the informal sector are forming groups to fight legal restrictions through organisations such as SABTA, Taverners, Hawkers Association, Stokvel Association, Burial Society Associations, Street vendors, Green Groceries, Smokers and spaza shops (17-06-1990 City Press).

Johannesburg became the first local authority to accommodate informal traders and the council has recognised that informal trading must be allowed as a matter of economic necessity (1-08-1990 Citizen). This is to be controlled by a clear policy and there must be training programmes to educate informal traders on matters like acceptable trading sites, health, hygiene and traffic regulations, informal business and the Council (1-03-1993 Sunday Star).

The government has said it is committed to a policy of deregulation aimed at ensuring ease of entry into the economy for all South Africans. Deputy Ministry of Trade and Industry, Dr. Theo Alant, said in Parliament that "this requires the identification and elimination of unnecessary or exces-

sive restrictions on entry into and participation in economic activity" (15-03-1991 Star). However controls would always be important in the interest of order, the health and safety of the country's inhabitants and the protection of the environment.

According to Lawrence Mavundla, President of the African Council of Hawkers and Informal Businesses, there are 900 000 hawkers countrywide and as many as 20 000 spaza shops in the PWV areas with a turnover of R3 billion in 1990 (24-07-1990 and 9-01-1993 Sowetan). The crucial question of the size of the informal sector and its influence on the South African economy is unresolved. This emerges from conflicting estimates made by economists, which range from 8% of Gross Domestic Product [Central Statistical Services (CSS)] to as much as 40% of GDP [UCT economist Brian Kantor] (4 September 1990 Star).

The "informal" sector in South Africa is becoming organised. The main mother bodies for the African Informal Sector are:

1) African Council of Hawkers and Informal Business (ACHIB) (28-01-1993 Sowetan)
2) Foundation of African Informal Business Sector (FAIBS)

FAIBS, which is a breakaway from ACHIB, has applied to join the Foundation of African Business and Consumer Services (FABCOS), while ACHIB has pulled out of FABCOS. Pensioners are the main members of these organisations (22-11-1990; 26-11-1990 Sowetan).

Advantages to being members of ACHIB:

1) Use of membership to buy direct from wholesalers
2) Purchases with discount (31-07-1991 Sowetan)

Mercedes Benz of South Africa (MBSA) promised to provide stalls for the informal sector in order to create a more hygienic environment This will be achieved by working more closely with National Union of Metal Workers of South Africa (Numsa) (13-02-1992 Sowetan).

The impact on the informal sector of financial institutions such as Small Business Development Corporation (SBDC) and Get Ahead is unclear

because they do not make statistics available on the extent of financial assistance awarded to the informal sector.

Since people involved in the informal sector are usually without sufficient capital to start their business, Standard Bank economist Nico Czypionka believes the government can do three things to help informal enterprises:

1) Create structures like the SBDC for access to capital. He also favours deregulating the capital market so as to allow interest rates on loans to rise to a level commensurate with the risk involved. This would increase loans to small businesses. He cites an example of the informal banking market in South Korea where small traders can borrow money in the morning and pay back in the evening (24-12-1992 Sowetan)
2) Create structures that would provide access to training.
3) Create space facilities where informal sector operators can trade. Mr. Czypionka says that "people entering this sector can use it as a stepping stone to something better".

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THE INFORMAL SECTOR AND WOMEN

FACTS AND FIGURES

THE dramatic expansion of the informal sector has been a feature of economies in many African countries in the 1980s. The World Bank sees this sector as a dynamic force leading to Africa's industrialization (see Onimode). However, in practice the sector is weak and disorganised and unlikely to bring transformation. Its growth has been a reaction to rising unemployment and falling real incomes. For urban women the informal sector is often the only choice since they have little prospect of formal wage employment. The majority of women in waged employment are in low-paid jobs and obliged to supplement their earnings.

Increased costs of housing, water, school fees and medicines mean that outside the rural areas most households can only survive by having several incomes. Typically work in the informal sector is precarious and low paid. As family income declines women work longer hours outside the home. Recent studies in Tanzania show that women from all social classes were doing extra work for cash. Poor women sold processed food, fuel, vegetables and fruit but also worked as quarry workers and gravel sellers. Middle class women tended to raise chickens, pigs or cattle. All the teachers in the sample supplemented their incomes by giving private classes. Young girls help their mothers by selling cooked food before and after school. At the same time 58% of the sample said they had reduced the number of meals taken from three to two and that their consumption of meat and fish had gone down.

Typically women's ventures suffer from a shortage of capital, limited equipment and space, lack of licences and police harassment and low profit margins. In Zambia the problems faced by women operating in the informal sector are immense. They lack credit and transport and are often forced out of the official marketing system which favours more established traders. Many buy in quantities too small for official outlets. Yet they have been blamed for "holding the country to ransom" by selling goods brought from neighbouring countries at inflated prices.

The imposition of charges and the cost of medicine, together with the deterioration of health facilities in many African countries has led to a substantial decrease in the use of government clinics and a shift towards the informal sector — traditional healers, semi-legal practitioners and birth attendants. A large number of these workers are women. It has been estimated that women with no access to formal health services have a maternal mortality of 2000 per 100,000 births.

Beer brewing in Zambia is the most profitable branch of the informal sector but carries the greatest risks for the women involved. The unemployment rate for women between the ages of 15-19 is 87%. One study estimated that 70% of home beer brewers also practiced prostitution — it is a profession that grows as poverty grows. A recent study estimated that nine out of ten Zambian prostitutes carried the HIV virus. Described by one researcher as "economic refugees", prostitutes in Africa's major cities are in no position to argue with their clients about the use of condoms which are in any case expensive and difficult to obtain.

In crisis-ridden African economies, the informal sector serves as a safety valve for the state, diffusing a potentially open legitimacy crisis. However, the danger is that the public sector becomes even less efficient, with its employees starting small businesses to supplement their meagre official incomes and neglecting their official jobs. This in turn leads to a further run-down of services and further aggravates the crisis.

CAN SOUTH AFRICA BE AN ASIAN TIGER ?

BY BEN TUROK

IT is commonly argued in Africa that there is a close correlation between democracy and development. This usually takes the form of "no democracy, no development" (Turok 1990 Vol 3:101). This proposition depends, however, on the meaning given to "development". If it means economic advance, the statement is not true. It only holds if we are referring to the broadest all round enhancement of the human condition including human capacities.

There have been major economic advances under totalitarian systems. Britain industrialised under Dickensian poverty. South Africa experienced rapid growth under the most repressive years of apartheid. The East Asian Tigers built their "successes" on repressive foundations (Chomsky 1991:245). However in none of these cases did economic advance go together with an immediate and correlated improvement in the conditions of the majority of the population, including those employed in the advancing sectors of the economy.

In South Africa today this is not generally understood. Instead there is a widespread assumption that economic advance will necessarily bring socio-economic advance. This is largely because of the conceptual confusion around the word "growth". "Growth" is seen as the magic key which will get us out of stagnation and unlock the future. Growth is often confused with development whereas growth should actually be used to indicate a quantitative increase in material (including financial) resources, while development necessarily implies a qualitative change in all resources and particularly those affecting the human condition.

FOOTNOTE: *Presented at a conference on The Correlation of Political Systems and Economic Development held at the University of Fort Hare, 1-2 November, 1993.*

The distinction is important. In South Africa, because of the distortions in economic structure, growth might mean simply the increase in existing economic resources without any "trickle down" or spread outside of those power structures. That is, the skyscraper will grow without any benefit to the surrounding shanty-towns (Turok et al, 1993).

This problem is often looked at in another context. It is argued that the political transition to democracy may not be associated with an economic transition, a concern that has led Cosatu to press the case for a Reconstruction and Development Programme.

This paper will seek to show that political democratisation will only be correlated with economic development if a particular strategy is adopted which will ensure that economic advance, or growth, has built into it the wider conception of development. Curiously, this position has been argued by none other than World Bank President Lewis Preston. In a report on the East Asian miracle he said that the capacity for change in a country depended fundamentally on the superior accumulation of physical and human capital. "Investment in people not only spurs growth but also reduces poverty." (Sunday Times Oct 3 1993).

Many commentators laud the "Tiger" experience as being highly relevant to South Africa. Trevor Manuel, Head of Economic Policy in the ANC, said recently that South Africa had to adopt the strategies of the Pacific Rim economies if it was to succeed, and he was referring particularly to technological and human capacities (Business Day, 13.9.93).

The evidence of economic advance in the four Tigers — South Korea, Taiwan, Singapore and Hong Kong — is overwhelming. Income per capita in Taiwan is $8,000, while South Korea's is $5,230, with Singapore even higher. Taiwan's foreign exchange reserves reached $69 billion in 1990, equal to those of Japan (Bello and Rosenfeld 1992). The Tigers account for around a third of manufacturing exports from the South; South Korea also dominates world steel and shipbuilding (Watkins, 1992:8).

However, while the statistical successes of the Tigers are common cause, there is no agreement on the basis for this performance. Some hold that the key ingredients were export orientation, cheap labour, undervalued cur-

rencies, free markets, minimum state intervention. But this is a simplistic view.

REASONS FOR THE TIGERS' SUCCESS

Other authors locate the emergence of the Tigers in the context of the Cold War (Chomsky, 1991). Anxious about the world-wide sympathy for socialism, the US wanted to secure a number of countries as bastions of anti-communism and as evidence that capitalism could deliver the goods in the Third World. Between 1951 and 1965 the US pumped $1.5 billion in economic aid into Taiwan and $6 billion into South Korea between 1945 and 1978 (Bello 1992:4). Both countries benefited enormously from military expenditures associated with the Vietnam war and other military needs of the US.

Equally, the US provided huge markets for the Tigers' exports of manufactured goods, while Japan became the provider of technology, machinery and component inputs. In due course the Tigers were running multi-billion dollar trade surpluses with the US but multi-billion dollar deficits with Japan (Bello 1992:7). In the UNCTAD Generalised System of Preferences, the Tigers along with China, gained 44% of trade benefits showing the degree of manipulation of international trade for their benefit (Watkins, 1992:34). At the same time, the Tigers protected their home markets — in the case of South Korea to the tune of 300% between 1958-64 (Watkins 1992:114).

However, while external assistance was important, domestic policy was the crucial element. The starting point is generally assumed to have been cheap labour, efficiently organised, unlike many other Third World countries. The chief agent in this was a technocratic state elite which laid down a strategy of "command capitalism" and carried it through rigorously. In the case of Korea, business interests, including large corporations, were subordinated to state directed economic objectives.

In South Korea, the combined revenues of the four top corporations were $80 billion in 1988, or 60% of the total national product. A massive seg-

ment, the commanding heights of Taiwan's economy, is state owned and the government is one of the largest landowners. The assets of the twelve state-owned institutions make up 92.5% of the total assets of the top 50 financial institutions and practically all the commercial banks are owned by the state (Bello 1992:233).

Cheap labour policies were the foundation for a massive export drive which continues today with export markets having primacy over the domestic market. To this end workers' wages were forced down by state action in the early years constituting the chief advantage in international competitiveness. In 1972 unskilled wages in Taiwan were $45 a month, in South Korea $68 and in Singapore $60 a month. Women workers were paid least, often 60% of male wages, and they often lived in dormitories of 1,000 beds. In the early 1980s, 85% of the work force of Taiwan's three export-processing zones were female (Bello 1992:216). Likewise Singapore was highly successful in subjugating labour and incorporating women into the workforce. In 1987 Korean manufacturing wages stood at 11% of their US counterparts and 14% of Japan's. These workers also had long working hours, minimum safety standards and a high proportion of them were low paid women. Labour militancy was undermined by legal mechanisms, ideological pressure and naked repression exercised by agents planted in their midst.

TRANSITION TO HIGH-TECH

However the Tiger elites came to realise that the cheap labour low value added systems could not be sustained and they moved to construct high-tech high value added industries which naturally required a massive training effort. For the most part the training started at technical levels and then climbed to professional and design levels funded by very substantial state investment. As a result South Korea is now sixth in the world in total electronics production and in consumer electronics is only topped by Japan and the US. None of this was as a result of pure market mechanisms; the state strategy was deliberate and calculated. The only flaw in the strategy was that high-tech implies higher wages and therefore the potential loss of earlier competitiveness.

But there were other limits too. In the early stages of the move to advanced technology Korea was able to combine licensed technology, often from Japan, with efficient production processes and cheap labour. This meant a continuing dependence on Japanese inputs which placed Korea in a sensitive situation since Japanese pricing could be variable. It also meant that Korea failed to develop self-sustaining technological innovation and in particular design capacity.

The difference between reproductive and design know-how is crucial in modern industry. Only the most affluent countries and the largest corporations can expand their horizons in research and design and thereby maintain a leading edge internationally. None of the Tigers have been able to build this kind of capacity; their production remains clone in character. They are unable to innovate, only to absorb (Amin 1990:210). Indeed the Japanese have often sold obsolete technology to the Koreans for the low end of the market while they develop high-end and highly profitable frontier products (Bello 1992:160).

Presently, the transition to the new industry seems to be reaching limits as the long suppressed costs of high speed growth catch up. In part this is due to the partial closure of US markets, but more fundamentally, there is a crucial erosion of legitimacy of authoritarian rule, a questioning of the viability of continued export oriented industrialisation and the mounting agriculture-environmental crisis. The various regimes are now trying to adjust their political systems to cope with these problems but, as is so often the case in authoritarian systems, the democratic opening comes too late to carry conviction.

PRESENT PROBLEMS

Bello argues that in the case of Taiwan the benefits of high speed growth accrued to a formidable alliance of the state elite, who played a leading role, domestic capitalists and foreign investors. The economic system was certainly not designed as a development process to serve the needs of the people as a whole; indeed benefits came subsequently in the form of increased employment and wage rises. An important element of the policy was that unlike other forms of import substitution industrialisation, it

was not dependent on an internal market and therefore did not provide for income redistribution even to the middle classes as a matter of policy (Hayter 1981:105).

The build up of conglomerates with large concentrations of industrial workers has led to the inevitable growth of workers' power, despite state controls. In Korea, there were 7,100 labour disputes between 1987 and 1989. The state tried to use co-option combined with repression but has not succeeded in stifling worker protests. In Taiwan, even before the lifting of martial law, over 4,500 labour disputes went to district courts between 1985 and 1987. The effect of these actions combined with currency appreciation is ending Taiwan's export advantages. There is a possibility of a flight of foreign capital as a consequence.

Urban based export industries have also created large imbalances between urban and rural sectors which have built up major tensions and contradictions. Among these the rural environmental problem is one of the most notorious. Korean tap water is dangerously contaminated with heavy metal; deforestation and chemical poisoning of the countryside is publicly admitted and food growing capacity has been seriously undermined. Similar problems plague Taiwan where waterways have been seriously poisoned by unregulated dumping of industrial waste. In Penang, Malaysia, beautiful beaches which were ideal for swimming resorts a decade ago are now unusable due to defective sewage systems and industrial pollution.

The Tiger system was also dependent on a high level of protectionism which is proving unsustainable in the present climate of international liberalisation and free trade. For instance Korea is now the third largest importer of US agricultural products, costing $3.2 billion annually. Half of the country's total food imports come from the US, with 74% in wheat imports alone and a rising percentage in beef (Bello 1992:88).

The crisis in agriculture is now associated with low investment and high priority to urban industry with a consequent large migration to the cities. Farmers now see themselves as second class citizens whose product prices were kept deliberately low to subsidise industry. The feeble attempts by the state to introduce reforms indicate a total failure to integrate rapid industrialisation with a sustainable agricultural policy.

In the case of Singapore, the skewed economy built with multinationals as the engine of growth resulted in a squeeze on domestic enterprise and the emergence of a service oriented economy dependent on others (Bello 1992:295).

CONCLUSION

Despite the huge economic advances achieved by the Tigers, their achievement receives only muted acclamation from many writers. Some believe that what has emerged is only an "ersatz capitalism" while others believe the gains cannot be sustained (Amin 1992:44). The main critique is that the Tigers have failed to create self-sustaining technological innovation and since they gambled all on industrialisation, this will be their downfall. Korea may be the third largest producer of colour television sets in the world but since 85% of the value is made up of Japanese components, this is no foundation for a self-sustainable economy nor for competing with US and Japanese giants. Taiwan, it appears, is also expert at cloning but not at generating original products.

These countries have been expert at finding niche markets around the world. The problem, however, is that once a niche market grows, larger producers from the US or Japan move in to take them over. There is no permanence in niche marketing, a lesson that South Africa has to learn. Bello (1992: 272)

Nor have these economies managed to create economies with internal linkages that will stand up in troubled times. Their successful industries remain enclaves within the national economy (Szentes 1988:70).

Having been forced to mainly abandon the low-tech cheap labour route, some foreign corporations are relocating their factories in their home countries (Jackson 1990:74). The Tigers are now also vulnerable to the China threat where wages are one twentieth those of Taiwan. The scale of that threat has yet to be understood but there is already a substantial flight of capital from Taiwan to China and a redirection of foreign investment there. It also constitutes an immense and challenging market.

We have yet to see what impact the pressure for liberalisation emanating from the IMF, World Bank and GATT will have on the Tigers. Samir Amin holds that it will lead to even greater polarisation internationally and the Tigers are bound to be caught in that squeeze particularly as protectionism is growing apace in the North (Raghavan 1990:38).

Already in 1989 South Korea sharply reduced trade restrictions on a wide range of manufactured and agricultural goods following section 301 action under the US 1984 Trade Act. Subsequently, in terms of "voluntary export restraints" (VERs) South Korea is apparently restricting exports of at least 18 products, including video tape recorders, micro wave ovens and colour televisions (with a a value of over $1.8 billion) in an effort to forestall protectionist actions. Hardly the practice of liberal trade (Watkins 1992:78).

In summary, the Tigers have indeed succeeded in making major economic advances though the benefits to the bulk of their people have only come late in the day. Their domestic markets are not the foundation of success and the consumerism which is evident has come as a spin off from the export drive. The economies do not have sound sustainable internally linked structures and are therefore very vulnerable to shifts in international conditions.

The primacy of economic growth over considerations of equity and all-round development as practiced by the Tigers is not necessarily a model for others to follow, especially in the absence of much favoured nation treatment by the US.

A far more promising strategy for South Africa would seem to be to rely on our own resources in the first instance while not hesitating to take advantages of niche or traditional markets abroad. We might also take rather more seriously the proposition by Lewis Preston that human capital is central to economic success, whether that advice is meant seriously or not.

There is also a strong case for the state's giving most emphasis to creating an enabling climate for domestic small and medium enterprises since that is where black people will build an alternative economic power base to that of the existing white corporations.

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REMEMBERING THE MAJORITY:

Women and Development Policy in South Africa

BY MARY TUROK

A DEMOCRATIC government in South Africa will be responsible for the efficient utilisation of scarce national resources in order to satisfy the needs of its citizens. In order to survive and be productive people will need housing and access to land and they will need services such as water and electricity, roads, clinics, hospitals and schools. In addressing these needs the government will have to decide upon priorities, raise taxes, take account of competing demands, balance the books, raise loans and ensure they repay those loans.

Within the home it is invariably the woman who carries out these responsibilities. She, above all, is aware of the conflicting demands upon her time and resources, of the need to balance the budget, for careful investment and the avoidance of waste, the importance of good management and keeping debts to a minimum.

And yet in the present debate on economic reforms in South Africa women are conspicuously absent both from the debating fora and from the subjects being debated. In fact too little attention is being given to the needs of the poor and disadvantaged and neither men nor women are being consulted. Yet it is they whose needs are greatest and who paid the highest price for apartheid. And it is women whose resourcefulness ensured the survival of communities throughout the land.

FOOTNOTE: *Background paper written in 1993.*

South Africa is not unique in this respect. Throughout the continent the African woman has long been on the front line of the socio-economic plan but her role has been taken for granted. "In fact, the more she copes as more and more African economies, societies and environments decline, the more invisible she becomes to the decision-makers... of what is known as 'the development process'." (Cassam A. in Alternative Strategies in Africa Vol 2 IFAA 1991)

THE CAPITALIST ROAD

In South Africa broad agreement seems to have been reached that the path to recovery lies along the route of unrestricted private enterprise, free markets and export-led growth. Even previously committed socialists, disillusioned by events in the former socialist world, seem now to be accepting capitalism as the only way forward. Yet the record of capitalism is not good — neither for the poor nor for women. In the United States and Europe women have advanced into the professions, the civil service, management and political office. There are laws against discrimination. But these advances have not bought improved conditions for ordinary women inside or outside the home, have not ended violence to women or sex segregation in employment, nor have they rescued families led by single women from the poverty trap.

HOW HAVE WOMEN IN THE THIRD WORLD FARED?

In Africa, similar policies have been operating for more than a decade, thanks to the insistence of the World Bank and the International Monetary Fund on structural adjustment programmes. Women, who produce 90% of food crops have been displaced from farming lands to make way for the production of cash crops such as sugar, tea, coffee and cocoa for export. In addition to carrying out their traditional food growing, now in more remote and less fertile areas, as well as their other household roles, women have had to work as wage labourers, often for half the wages of men. The increased production of cash crops brought only short-term benefits to African economies as world prices fell in the face of increased supplies.

But low investment in food production led to food shortages and famine which devastated many countries. An FAO study showed that staple food production grew very little or declined between 1980 and 1986 for 16 of 28 African countries studied.

In South Africa free market policies would lead to the removal of subsidies so as to encourage commercial farmers to produce more. There would not even be short term gains for peasant farmers or the rural poor, of whom women are the majority. For presently in the homelands less than 10% of family income is derived from farming, thus the main impact of the removal of subsidies would be higher prices for consumers, urban and rural.

The example of the so-called Asian tigers like Korea, Malaysia or Taiwan which try to compete with the industrial countries on the world market also has lessons for South Africa. It too would have to adopt their formula of low wages, long working hours and minimal investment in safe working conditions. Women find a place in such industries but only when they are single and very young because they are paid as little as 50% of male wages. In Taiwan 85% of the workforce in export-processing zones was female in the early 1980s. Women workers from rural areas lived in barracks or dormitories. Bored, lonely and overworked their situation made them ripe for sexual exploitation. The same conditions apply today in Malaysia.

Emphasis on export-led growth will mean that much needed everyday consumer goods like household appliances, tools and textiles would continue to be imported at high prices to the consumer while existing high-tech industries would be strengthened in order to compete internationally. Investment would not flow into urban or rural communities nor into the development of new small-scale, labour intensive industries which would be more responsive to the needs of women workers.

Market-led policies in Africa have resulted in cuts in public spending and the running down of social services and infrastructure on the promise that belt-tightening measures in the short term will lead to long term growth from which all will benefit. But this has not happened; without exception economies have reacted negatively to these prescriptions.

In South Africa the capitalist route would mean keeping down taxes and government expenditure on social services; it could mean people having to pay for health and education. Where social services are non-existent capital expenditure might be agreed but it is unlikely that recurrent costs would be met from Government coffers. The capitalist route could also mean lifting controls on working conditions and wage rates. In brief it would mean, for women, little relief from financial stringency, no back-up services and continued responsibility for the burden of family care. As in debt-strapped Africa, some proponents of these policies concede social costs in the short term and propose a safety net in the form of unemployment insurance, training schemes and public works programmes. Such measures elsewhere have been under-funded and difficult to access. In South Africa half the population would need a safety net.

If foreign loans are used to finance essential services, the people thus served will be expected to find the interest charges and ultimately repay the loans. This again is the African experience. It has serious implications for the sustainability of public services especially to poor communities. Many women as the front line carers could find themselves still without basic services let alone the kind of provision for which they have waited so long. Uncontrolled pursuit of private advantage has not and will not produce a fair or a caring society.

WHAT IS THE ALTERNATIVE?

We need to be looking for alternative policies that will lead to a widening of the economy to embrace those who have been marginalised, that will make real inroads into discrimination and unemployment and address the problems of low wages and poor education. People do not want welfare, most are capable of gainful work. Resources need to be redirected from luxury white suburbs towards the black townships so that infrastructure, housing and social services can begin to redress the present inequalities. Local labour and community enterprises should be engaged in laying pipes, building homes and roads, collecting refuse, providing school meals and childcare facilities.

To counter the risk that excessive expenditure on services could lead to inflation by raising demand above what the economy can afford the government should also redirect resources to production, encouraging new, labour-intensive industries to produce neglected mass consumption goods for low and middle-income groups instead of the luxury goods produced by existing industries. Such policies would assist women. If they are to enter the labour market on an equal footing with men they need equal access to public services such as water, electricity, sanitation, public transport, health care and education. They also need access to land, bank loans, workshops, training facilities and professional advisory services. These are the only ways in which the burden of women's unpaid labour can be lightened and they can acquire skills and enter the public arena as independents and as equals.

STRUCTURAL ADJUSTMENT PROGRAMMES AND AGRARIAN REFORM POLICIES IN SUB-SAHARAN AFRICA:

Implications for the Revival of Smallholder Agriculture in South Africa

BY ERNEST N. MAGANYA

1. INTRODUCTION

IT is difficult and ambitious to undertake a comparative study on the implications of Structural Adjustment Programmes (SAPs) for the revival of smallholder agriculture in South Africa. A study of this nature demands much more detailed research than I have been able to do and there has been, so far, little work done on smallholder farming in South Africa.

Except for the Pan African Congress (PAC) that has maintained an outspoken position on the land question (central for the revival of smallholder agriculture) important advocates of the land to the tiller issue have, of late, tended to adopt a low profile. This is certainly the case of the African National Congress (ANC) which either for tactical reasons or due to a fundamental change of position is now less outspoken on issues like land reform and the need for deliberate state support for the revival of smallholder farming than it used to be.

FOOTNOTE: *This paper is based on 'talking notes' that were used in two seminars. The first, organized by the Group for Environmental Monitoring (GEM) was on the World Bank and the IMF and the second, organized by the Land and Agriculture Policy Centre (LAPC) was on "Priorities and Strategies for National Reconstruction and Development". The paper was presented at a conference on Agricultural Development held in Venda in October 1993.*

It is interesting to note, in passing, that it needed a clear market approach by the World Bank on such issues like the land and agricultural reforms for the ANC to revive policy debates on this key aspect of post-apartheid economic transformation (Binswanger & Deininger, 1993). (1)

Even among academic analysts, the question of smallholder agriculture has never been accorded the priority it deserves. The main reason seems to be the seemingly first world nature of South Africa's agriculture and the "irrelevance" of smallholder farming. The first world nature of South Africa's agriculture is normally explained by its high productivity, national food self-sufficiency and its small contribution to GDP (5% in 1990, from a level of 12% in 1960).

This conventional wisdom on South Africa's agriculture is increasingly coming under critical examination from a variety of sources. From the market perspective, the World Bank is perhaps the most recent outspoken proponent of smallholder agriculture (World Bank, 1993). For quite some time now, there has been a Marxist critique of the anti-peasant (anti petty commodity producers) position of radical political economists, most notably by Neocosmos (1987, 1990/91) and First (1980). Based on field work research (Neocosmos on Swaziland and Ruth First on Mozambique) they have been able to demonstrate that even on the basis of meagre urban wages, migrant workers have been able to invest some of their savings in small holder agriculture and that on this basis, a process of peasant differentiation has taken place.

While one can argue that homelands/Bantustans are located in much more marginal lands than is the case in Swaziland and Mozambique, there is evidence to suggest that similar processes have been taking place albeit at low levels (Claasens; 1990). This limited development of petty commodity production and peasant differentiation has taken place inspite of the fact that this form of agricultural production has not been accorded state support similar to the commercial sector.

It would, however, be wrong to deduce from this line of argument that it is adequate to simply create an enabling policy environment for smallholder farming to be revived and to prosper. The problem is not only one of policy environment but it is also concerns the size and quality of phys-

ical space. With almost twelve million of the African population squeezed into thirteen percent of total land area (mainly marginal), there is a limit beyond which smallholder productivity cannot be pushed up. And yet, given the current high levels of unemployment in the country on the one hand and low industrial productivity levels and high capital intensity in both the commercial farming and industrial sectors on the other, expanding the physical space for smallholder production seems to be the only rational way to get around the problem of unemployment.

The expansion of physical space will involve the following measures:

- giving back land taken over from black owners, particularly in the so-called black spots during the early 1960s
- distribution of state land to the landless and those with inadequate land
- accessing household agricultural producers in the homelands to part of the land owned by commercial farmers

Most of the solutions suggested above will involve fundamental changes in the way land is owned and used in South Africa. In summary, then:

- The first world nature of South Africa's agriculture is a product of a highly distorted agricultural sector created to serve one form of production — commercial white farming
- Given appropriate macroeconomic policies and deliberate state support, the underdeveloped smallholder agriculture can be transformed into a highly productive form of production and an expanding source of rural employment
- Once the myth of the first world nature of South Africa's agriculture has been exposed, it becomes clear why South Africa can learn a great deal from the experience of reforming the agricultural sector in Sub-Saharan Africa (SSA) under Structural Adjustment Programmes.

The remaining parts of this essay will deal with the experience of 'reforming' a largely smallholder dominated agriculture sector in SSA under SAPs and on this basis will attempt to identify lessons that can be learnt by a democratic South Africa which, in all likelihood, will adopt a Structural Adjustment Programme.

2. REFORMING THE AGRICULTURAL SECTOR UNDER SAPS IN SUB-SAHARAN AFRICA

2.1 The Pre-Reform Situation

The 1981 World Bank Report on Sub-Saharan Africa having noted the disturbing decline of the production of both export and food crops and the related problem of the balance of payments deficit attributed the crisis of Sub-Saharan Africa's agriculture to the following:

- low real producer prices paid to the farmers and particularly those producing export crops
- the low producer prices were meant to support low food prices for urban dwellers and, therefore, formed part of urban bias policies
- over-valued local currency also formed part of the urban bias policies as they were meant to support cheap imports of inputs for the import substitution industries, most of which produced luxury consumer items for a restricted urban market
- over-valued exchange rates distorted both internal and external prices by making exports expensive (and therefore less competitive) and imports cheap (discouraged efficient use of local resources)
- inefficient and often corrupt state controlled produce and farm inputs/implements markets
- as a result of the above policy distortions, the internal terms of trade worked against the rural areas.

2.2 The SAPs Policy Package

Based on a pricist and a largely anti-statist diagnosis of the pre-reform economies of SSA the following agricultural sector targeted policies were prescribed:

- increased real producer price
- devaluation of exchange rates of local currencies in order to make exports cheap and, therefore, competitive in the world market and to support the higher producer price policy through increased local currency earnings

- removal of state supported inputs subsidies as part of the expenditure reducing policies
- liberalization of interest rates for commercial banks
- liberalization of the internal market regime of both produce markets and inputs/farm implements market
- liberalization of the land market

2.3 The efficacy of the reform policy package

This sub-section will deal with five main areas: production, producer prices and terms of trade, use of chemical inputs and modern farm implements, liberalized produce and inputs markets and liberalized land markets. We will not argue out these issues in any detail for lack of space nor will we follow the usual empiricist demand of providing statistical proof. Our main pre-occupation will be to provide main trends and tendencies and wherever possible, we shall refer to relevant publications. (2)

2.3.1 Production

The performance of the agriculture sector of most 'reforming' countries tended to improve during the initial years of reform while subsequent years showed erratic performance. In most countries, the good performance is accounted for by the initial reform years coinciding with a cycle of adequate rains and the limited positive role of the liberalization of produce markets (Gibbon, Havnek and Hermele, 1992).

Moreover, food crops seem to have contributed significantly to the improved performance of the sector even though as "non-tradeable" crops, they did not receive as favourable producer prices as the tradeable crops.

2.3.2 Producer Prices and the Terms of Trade

For most crops, while nominal producer prices (at current prices) have gone up, in actual fact, real producer prices (at constant prices) have at best increased only marginally or at worst fallen below the best pre-reform years.

There has been no significant improvements in both the internal and external terms of trade. Whatever improvements are made in the internal terms

2.3.4 Liberalized produce markets

The results of this policy instrument are mixed. The removal of inter-regional restrictions on the movement of particularly grains and pulses and the abolition of the monopoly of produce purchase by state controlled/influenced marketing boards and/or co-operatives has had some positive impact on production. In the case of export crops, the initial positive result was to minimize cross border trade and encourage the sale of crops in internal markets. This was the case where there was no parity in producer prices in two adjacent markets (e.g. Tanzania and Kenya or Ghana and Cote d'Ivoire).

This positive impact of expanded internal markets in crop production seems not to have been beneficial to all crops, producers and regions in any one given market. We would like to emphasize the following:

- It has been difficult to attract private traders for crops that demand heavy investments in pre-marketing primary processing. The processing and marketing of cotton is a good example.
- The removal of a pan-territorial pricing system has favoured efficient producers located near market centres and punished efficient producers located far from big markets. Very few private traders would be prepared to go into remote markets with poor transport and when they do they would normally offer very low farm gate prices.
- In many cases, state monopolies and monopsomies have been replaced by private ones and the small producer has not faired any better under the new arrangement.

Like with other policy aspects already discussed, the three points raised above serve to emphasize the point that market policies should not be implemented as dogmas and that efficient state interventions should always supplement market policies.

2.3.5 Liberalised Land Market

Beyond policy statements, the liberalization of the land market has not become part of the Bank's and Fund's aid conditionality. This, in part, reflects the complexity of land ownership systems in SSA. Nevertheless, due to the Bank and Fund's insistence on market reforms, freehold land tenure forms part of the institutions' long-term agrarian reform policy.

We need to point out that studies undertaken in countries that have implemented freehold title policies caution against a simplistic approach to market-based land reforms. Among the most important issues raised are:

- offering private title deeds has not always prevented the sub-division of land
- there is no necessary and sufficient correlation between land individualization and increased credit to, particularly, smallholder farmers
- state bureaucrats, in close alliance with the rich and powerful, have used the introduction of freehold title policies to grab land at the expense of smallholder and poor farmers

3. LESSONS FOR SOUTH AFRICA

The extreme dual nature of the agricultural sector of South Africa (highly mechanized large-scale farming co-existing with underdeveloped smallholder farming) makes it different from that of most Sub-Sahara African countries. There are many lessons, however, that South Africa could learn. These lessons centre around two important issues:

- For the majority of Sub-Sahara African countries, SAPs, as they relate to the agriculture sector, have had to come to terms with the fact that the majority of rural producers are smallholder farmers. The success of SAPs will, thus, depend on the extent to which they improve the productivity and quality of life of smallholder farmers. Evidence, so far, indicates that they have not been very successful in this regard.
- To adopt a "pure" market approach to agricultural and land reforms, particularly in relationship to the rural poor, is to court economic and political disaster. Reforming countries must establish the correct mix between deliberate state support and the creation of an enabling macro-economic policy environment. Typical SAPs have tended to downplay the first aspect.

Any discussion on the lessons that South Africa can learn from "reforming" Sub Sahara African countries, should take note of the fact that attempts at structurally adjusting the large scale (white) commercial farming have been going since the 1980s. These reforms have involved the following:

corporate controlled produce marketing boards. What South Africa can learn is that the creation of new and freer markets cannot be left to the whims of the market forces alone.

Certainly, in the case of the marginalized producers, their entry into the highly monopolized produce and inputs markets (current reforms can only consolidate the influence of corporate and large-scale white farmers) cannot be done via the market place alone. It would be unrealistic to expect, for example, the marginalized smallholder producers in the Bantustans to form marketing cooperatives that would be able to compete with established co-operatives without some form of state support.

3.3. Land reform policies

Much has been written on the necessity of land reforms and how to go about undertaking land reform policies in South Africa (Binswager, Deininger; 1992, de Klerk; 1991). An effective land reform programme would have to involve three important players: the poor and marginalized rural producers, the state and the market.

A pure market approach would certainly play into the hands of the rich and powerful and state intervention without the involvement of independently organized poor rural producers would end up with state intervention being compromised and distorted by the rich and powerful. This has been the experience in SSA and many other countries in the world and it would be naive indeed to expect a positive outcome in South Africa unless all the important players participate in the land reform process.

4. CONCLUSION

For almost thirty years after the second world war, neo-liberal economic thinking existed behind the shadow of Keynesian economic policies and the then popular image of the centrally planned economies amongst the emerging post-colonial states. However, it was put to good use in the late 1970s/early 1980s because of the exposure of the Western commercial banks to huge debts of the Third World countries and the imminent collapse of the centrally planned economies.

The urgent need to salvage the Western commercial banks through aid policy conditionality and the constant reference to the imminent collapse of the centrally planned economies to justify these policies added religious flavour to these theories. Ideology replaced economic rationality. After more than thirteen years of experimenting with what indeed is ideology and not science, however, I would like to believe that both the "adjusters" and "adjustees" have become wiser. It is now clear that there are no quick fix solutions in transforming fundamentally distorted economic structures nor have the colonial type aid policy conditionalities been effective in making the economies of the adjustees begin to grow and thus to enable them to start paying their debts. (3) If this lesson can be grasped by South Africa, then there is great hope for fundamental and sustainable economic transformation in the post-apartheid era.

END NOTES

1. Cyril Ramaphosa, the General Secretary of ANC, came up with a much clearer position on the land question in a recent conference organized by the LAPC. In his opening remarks he pointed out, "If we turn our backs on the land question, we are no longer the ANC and we give up the history that started in 1912". (The Star, October 13, 1993)

2. A monograph by Gibbon; H, Havnevik KJ and Hermele K. "A Blighted Harvest? The World Bank and African Agriculture in the 1980s", Uppsala, 1992 has provided valuable theoretical and factual information used in this section.

3. This seems to be the case if Mr. Edward VK Jaycox, the Vice President, Africa Region, of the World Bank is to be believed. In a transcript of his address to the African-American Institute Conference on "African Capacity Building: Effective and Enduring Partnerships", delivered in Restonia, Virginia, on 20 May 1993, he stressed three important issues: a) the World Bank would no longer intervene in the formulation of economic policies for adjusting countries (b) projects funded by the Bank would have to be managed by local experts and (c) more emphasis would now be put on capacity building.

THE MEANING OF POWER

BY BEN TUROK

THE democratic movement has talked a great deal about power without removing some of the misconceptions about the nature of power. We have talked about the seizure of power, the transfer of power, sharing power, losing power and so on often giving the impression that power is a thing or an object which can be passed from one person or group to another. It is not like a baton that is passed from one athlete to another in a relay race. It is not a thing at all, but a subtle relation that is distributed throughout society and which is invisible most of the time.

The President has power and so does the Cabinet, army and police. But so does business, the press and the masses. Even public opinion has power and many governments and leaders greatly fear the expression of public opinion which in some countries has led to the fall of Monarchies and governments. The British Queen is under enormous pressure because of the behaviour of her family — not from the army, police or civil service, but from the broad intangible "public opinion" which is fed up with the unbecoming behaviour of a luxury-loving aristocracy.

Of course the power of the state and its apparatuses — police, army and civil service — may be decisive though mainly in a major crisis. Otherwise power is exercised in many different forms, political, economic, opinion formation and so on, by many different segments of society, all at the same time.

It is this distribution of power which leads to the notion of the balance of forces. In South Africa power has for some years been distributed between

FOOTNOTE: *Written in 1992.*

TRANSITION LESSONS FROM AFRICA

BY BEN TUROK

> "An African government immediately discovers that it inherited the power to make laws but it did not inherit effective power over economic developments. It may be able to stop things; it will not be able to start things."
>
> **PRESIDENT NYERERE, 1976**

IF it is correct that the South African system is rooted in "colonialism of a special type" then it surely follows that we are going through a process of decolonization. We may be aspiring to liberation but the South African regime, like others in Africa, has different ideas. They want to see a gradual process, which they control, and which will produce an outcome which will serve their interests.

The technique which the colonial powers employed in Africa consisted of a number of elements all of which were concerned with ensuring that change came "with the minimum prejudice to the interests and ideals of the Imperial Power".

Sir Andrew Cohen, a senior colonial administrator said that since Africa's nationalist movements were bound to grow steadily more powerful, colonial policy should "recognise this early and by skilful anticipation try to guide the energies of nationalists into constructive channels and secure their cooperation in a programme of steady but not headlong political advance ... successful working with nationalists is the smoothest way of helping a country to self-government."

FOOTNOTE: *Published in Mayibuye, April 1993*

This formula became the model for decolonization and the granting of political independence and a number of conditions were built into the process.

First, they insisted that the leaders of national liberation movements dropped militant postures and showed that they were "responsible". This meant an acceptance of negotiations as an alternative to violence and militancy. Nkrumah had to go through five years as Prime Minister in a transitional government before gaining full independence.

Second, they had to agree to multipartyism, including an acceptance of the rights of other groupings including those which had played a comprador-ial role under colonial rule (KADU in Kenya - the party to which present President Moi belonged).

Third, in settler societies such as Northern Rhodesia, there had to be electoral provision which took account of adequate representation of whites. This meant that Kaunda's UNIP had to ensure that they received a degree of white support. Of course in Southern Rhodesia there were special reserved seats for white representatives.

Fourth, the replacement of colonial civil servants, including judges, senior police and army officers and the rest of the state apparatuses had to be done gradually. In Ghana's first constitution executive power was vested in the Governor General who was required to exercise those powers "in accordance with the constitutional conventions applicable in the United Kingdom". "The constitution will provide for a Public Service Commission which will continue to function very much as at present."

Top Civil service appointments were made by the Governor General, on the advice of the Prime Minister, and only after formal independence did Nkrumah gain full powers in this respect. By then, however, British traditions were well entrenched, and new African appointees tended to maintain the existing system including the strong linkages to Britain. This tendency was enhanced by virtue of Ghana's continuing membership of the Commonwealth. (In 1964 there were 700 Africans receiving military training in Britain and one sixth of Ghana's officers were trained at Sandhurst).

provision of carefully designed capital aid, military assistance, and so on, all of which progressively articulate the periphery with the centre and strengthen the position of comprador regimes."

The main point from all these experiences is that the outgoing colonial power used a range of mechanisms to ensure that as much continuity as possible was maintained between the old colonial system and the new order even if this meant creating a whole set of new internal interests which would benefit from the transition.

The result, as Nyerere was to point out, was that while it was relatively easy to unite the people as a whole against colonialism once independence was secured, external economic forces were able to gain local privileged allies who identified their own personal interests with those external forces and therefore made national unity much more difficult.

These experiences of decolonisation and independence in Africa and elsewhere surely hold some lessons for South Africa. While no two situations are identical and while the powers an ANC-led government will attain must be greater and different to the typical African colony, it is likely that the intentions of the present South African regime are similar to the outgoing British administrations. To be forewarned is to be forearmed.

DEMOCRACY, STATE AND CIVIL SOCIETY

BY BEN TUROK

A FUNDAMENTAL concern of many people in South Africa has always been how to achieve a truly democratic society. Over the years the emphasis has varied from mass action campaigns to a revolutionary seizure of state power which would lead to the empowerment of the masses and to the restructuring of the economy to serve their interests.

More recently the position has shifted to suggest that democratisation may be achieved by incremental means. This includes a negotiated settlement which will include a transition to a democratic system. It has built into this conception the notion of a mobilised civil society which empowers the masses and which will lead to a new emphasis in the economy for development goals serving the interests of the masses.

Will this incremental process open the road to a change in who controls state power? Can state power be taken by entering the state apparatuses and working from within while at the same time mobilising forces outside the structures in civil society?

There is a general recognition that democracy will not be achieved through a top down process by negotiation alone. Mass pressure is needed to ensure a change in the real balance of forces so that the interests of the masses become paramount and not subordinate.

Those in command of the present system understand full well that these demands carry serious implications for the present beneficiaries of the system and they have set up numerous obstacles while at the same time engaging in dialogue about change.

FOOTNOTE: *Written in October 1991*

The crisis of progressive regimes throughout the world has undermined not only our international support base but has also affected our own political orientation. We have to review what we stand for and how we are to achieve it. There are at least three major international experiences which may help us.

1. PEOPLES DEMOCRACY IN CHINA

Many South Africans derived enormous inspiration from the Chinese revolution because the revolutionary war was a people's war resembling more a liberation than a class struggle. The Chinese concept of People's Democracy also chimed well with the perspective here of a National Democratic Revolution. They stated that they were fighting a National Revolution which was anti-imperialist and a Social Revolution which was anti-feudal.

The objective of the revolution at that stage was the regulation rather than the destruction of capitalism. The national bourgeoisie was seen as a non-antagonistic force and after the victory of the revolution in 1949, capitalists were allowed to continue operating provided they observed factory and labour regulations.

Mao Tse Tung wrote in 1949 that "China must utilize all the factors of urban and rural capitalism that are beneficial to the national economy and the people's livelihood, and we must unite with the national bourgeoisie in common struggle. But the national bourgeoisie cannot be the leader of the revolution, nor should it have the chief role in state power." (Quoted in Turok, Revolutionary Thought in the Twentieth Century, 1980)

In other words while the national bourgeoisie was seen as part of the democratic forces in China, it could not be trusted to defend democracy.

The Chinese also argued that the state was a crucial instrument of the people though it had to be structured to serve their interests. In short, the Chinese Revolution was characterised as a people's revolution serving the interests of the broad masses while not antagonising the national bourgeoisie. It aimed at establishing a people's state which would be democ-

ratic in that it was based on the power of the revolutionary forces and reflected the will of the masses.

The book "Fan Shen" by William Hinton serves as a profound record of how the party tried to introduce democracy at the grass roots in villages against the power of feudal elements and the weight of tradition.

In practice, however, the system that emerged was centralised and top down and developed serious bureaucratic distortions. This was why Mao Tse Tung launched the Cultural Revolution which was supposed to cleanse the party and the state of bureaucratic manifestations and unleash popular democracy through mass pressure. However the process got out of hand and the army was called in to re-establish control. The system became militarised, fundamentally distorting the character of the Chinese revolution.

We have yet to properly understand why China's People's Democracy failed to take root as a sustainable mass-based system though we can certainly learn from some of the distortions that emerged.

2. ONE PARTY SYSTEMS IN AFRICA

The anti-colonial struggle in Africa took the organised form of national liberation movements which also articulated the objectives of a National Democratic Revolution. These movements were popular in character and clearly enjoyed very wide mass support.

However the colonial powers met them halfway and manipulated conditions so that the result was not liberation but decolonization on their own terms. In many cases negotiations were drawn out so that the movements lost some momentum and consequently some legitimacy in the eyes of the masses. The resulting Independence was more a "raising of a flag and the singing of the Anthem" as Cabral observed.

A new elite formed which was based in the state apparatuses and the ruling party. This became a parasitic class concerned more with individual accumulation than with delivering the promises made during the struggle.

In the subsequent years of growing hardship for the people, the state and the ruling party moved to demobilise the people's organisations and to depoliticise the country. Phoney "workers committees" were set up in factories to co-opt labour, fraudulent local authorities were established in the rural areas for the same purpose all in the name of "popular participation".

In the end the erosion of democracy ran parallel with the collapse of the development effort so that the economy steadily deteriorated.

In the recent period, the one party state has become the biggest single obstacle to progress in the political, economic and social spheres. Some of the leaders who had been prominent in the anti-colonial struggle became a spent force, resorting to hollow rhetoric and demagogy while also engaging in corrupt practices. Others climbed on the bandwagon and became mere place seekers in the official party, thereby stifling genuine militants. Some party leaders also took it upon themselves to interfere in state organs and in parastatal enterprises.

Many of these negative tendencies explain why the movement for multi party democracy has now gained so much popular support across the continent. This is not to say that those countries which allowed several political parties are democratic nor that the advent of multipartyism will be enough to install democracy but there are lessons to be learned nevertheless.

3. CONCEPTIONS OF CIVIL SOCIETY IN ITALY

It is well known that in the first two decades of this century Marxists in Europe became increasingly concerned with workers' power. Lenin wrote extensively on this topic, as did Gramsci, Italy's foremost theorist. Gramsci argued that the working class should seek to develop its hegemony in society prior to and in preparation for the actual coming to power. Working class institutions of all kinds should be developed not only for trade union economic purposes but also for political ends, as organs of proletarian power which would replace capitalist power.

He wrote in 1917, "The Socialist state already exists potentially in the institutions of social life characteristic of the exploited working class. To

link these institutions, coordinating and ordering them into a highly centralised hierarchy of competences and powers, while respecting the necessary autonomy and articulation of each, is to create genuine workers' democracy here and now — a workers' democracy in effective and active opposition to the bourgeois state and prepared to replace it here and now in all its essential functions of administration and controlling the national heritage." (Quoted in Turok, Revolutionary Thought, 1980)

Gramsci later modified his ideas but the central kernel remained; namely, that the working class could build on its own institutions outside the state system thereby preparing the ground for a democratic transition.

In time, this position has altered in the light of the changed situation in Italy. There is now a perspective of gradual development to include the notion of a transition based on the participation of workers in the management of economic, social and political life in order to transform these structures from within. This would, however, require a change in the power relations between the classes to ensure that the transformation was fundamental. Revolution was seen as a process, with the progressive affirmation of the working class as the ruling class. The main issue was to affirm the working class hegemony through the democratic process. (Eric Hobsbawm, The Italian Road to Socialism, 1977)

The Italian Communist Party gained control of many municipalities and cities, as well as many organisations of civil society such as trade unions and civic associations. They set an example of integrity and efficiency hoping thereby to convince the Italian public that Communist rule could be extended step by step from below. But the Italian state has proved too resilient and Italy remains a conservative, capitalist country with little prospect of Left hegemony in the foreseeable future.

Nevertheless Gramsci's views have come to focus our attention on the institutions of civil society and the degree of their autonomy and how they may both prepare the way for democratic transition and continue to represent the interests of those outside government AFTER the transition. The assumption is that contradictions between the state and civil society are intrinsic and inescapable.

These notions of the sanctity of civil society have also been taken up in Africa. In the case of Nigeria the resilience of the professional associations and the press are seen as examples of organised civil society standing up to the state. Journalists, lawyers, doctors and other professionals were very active in defending civil rights in colonial times. These traditions have persisted and even the tough military regimes which have seized power in Nigeria in the past two decades have been unable to undermine their resistance substantially. In the context of Nigerian society they represent a progressive force.

Some argue that this shows that there is a permanent and necessary opposition between the state and the various organs of civil society. This carries the implication that it is erroneous to conceive of a state which identifies with the masses and serves their, rather than its own, interests.

Samir Amin holds that democracy presupposes a civil society with economic relations that are autonomous vis a vis the political, that is the state. Such a view would mean that the state could not be the primary agent in the economy.

Goran Hyden has argued for the rolling back of the state in Africa, a view now propagated by the IMF and World Bank and indeed all international capitalist institutions.

LESSONS FOR SOUTH AFRICAN TRANSITION

The experience of the Socialist and African countries raises the question whether there is indeed an iron law of bureaucracy as some nineteenth century political theorists alleged. Gramsci was certainly very conscious of a serious problem. He said in 1933 "In analysing the development of parties, it is necessary to distinguish their social group, their mass membership, their bureaucracy and General Staff ... The bureaucracy is the most dangerously hidebound and conservative force; if it ends up by constituting a compact body which stands on its own and feels itself independent of the mass members, the party is left ... suspended in mid air." (Gramsci, Prison Notebooks, 1971. p 211)

The revelations of Kruschev and Gorbachev about the Soviet Party bureaucracy seem to endorse such views and indicate that most people were blind to such tendencies at a very heavy cost.

What was also not properly understood is that the bureaucracy established an economic base for itself through its power in the state apparatuses and in liaison with bourgeois forces.

We must also ask whether there is an iron law of the petty bourgeoisie. Everywhere in Africa the members of this class, actual and incipient, who were frustrated by colonialism quickly made hay after Independence. They did so using every possible avenue for personal accumulation but primarily through their positions in the state apparatuses and the party. In the case of Nigeria for instance an unholy triangle developed between the middle men of the private sector, the representatives of foreign firms and government officials (acting in collusion with politicians). The same phenomenon of petty bourgeois acquisitiveness and consumerism has wrought havoc throughout the continent, even to the extent of organising capital flight to Swiss Bank accounts to the tune of billions of dollars.

The principle lesson from all this seems to be that we must go beyond the formal democracy set up in Africa. We need to give emphasis to establishing a people's democracy with a strong component of civil society, in association with but not subordinated to a people's state.

This is not to deny that the South African transition requires a strong state. Shifting the balance of power in politics and in the economy cannot be achieved by reference to civil society without the state. The South African economy has been built on the bed-rock of extra-economic coercion (in the forced labour system) which remains in place despite the lifting of the pass laws and other pieces of legislation. This cannot be broken without recourse to state action.

Nor will any amount of growth in the informal sector redress the economic imbalances and local politics in civic associations will not be enough to challenge the present forces in the state especially the civil service. Any changes won will also have to be defended against counter revolution.

A new democratic South Africa will need to defend its interests against the predatory actions of international capital and their institutions like the IMF, World Bank, the Big Powers organised in the G7, General Agreement on Tariffs and Trade (GATT) and the rest. Their intentions towards the Third World are clear enough: it is to install bourgeois democracy, compradorism and transnational corporate power in a new world order which recolonises, integrates and subordinates the Third World in a system of so called free markets.

But we have learned that a strong state must also allow scope for economic competition and market forces in modalities that have to be carefully worked out. It must accept the constraints of real people's power and respect the people's will. It must foster popular democratic alternatives in political institutions, in the economy and in the social sphere. We must rapidly create the building blocks of civil society, bearing in mind that to be authentic it must necessarily be pluralistic in character, allowing space for a wide range of forces. Above all the institutions of civil society must be democratic and majoritarian.

Such conceptions of democracy embrace notions of bottom-up development and contradict notions of a top-down, short-run, quick-fix growth path which will surely deliver more to the rich with only crumbs for the poor majority. There is a need to examine very carefully the argument now sweeping across Africa that without democracy there can be no sustainable development.

The principles of accountability, transparency and participation must be built into all relations of the state and civil society.

If we accept these principles now in the political formations as well as in the autonomous organisations of civil society, there is a good prospect that a transition which is truly democratic can be won.

NON-GOVERNMENTAL ORGANISATIONS AND GRASSROOTS POWER

BY JACOB LEHOKO NOE

INTRODUCTION

THERE is currently an extended debate throughout the country about the way forward to a democratic future. This is taking place at all levels of society.

It is hoped that these discussions will lead to a genuinely democratic system which will deliver the material basic needs of our people.

There is now wide recognition throughout the world that top-down economic policy-making and implementation does not work. Even the elitist World Bank regularly calls for popular participation, empowerment of the poor and so on. So what role should our communities play now?

1. THE NGO DEVELOPMENT DEBATE

Non-governmental or community organisations (NGOs) together with other voluntary service organisations have decided not to be observers in the process of democratisation and development. They are fighting to ensure that ordinary people and local communities in poor sections of society are not treated as objects and "beneficiaries" of development policies and projects. They wish to become subjects with direct or indirect participation, influential enough to impact on the objectives, content and direction of their own development.

FOOTNOTE: *A Briefing Paper prepared for the Symposium "Grassroots Power: From Protest to Development?" held 15th February 1992 at Ipelegeng Community Centre, Soweto.*

The National Development Forum held a meeting in East London in 1991. Their discussion document "Building democratic development institutions" stated that some of the major challenges for grassroots organisations were:

1. controlling the terms of the transition; i.e. being able to determine the processes by which transition unfolds.
2. ensuring that the outcome of the transition accords with the democratic objectives to which we aspire.

It went on to argue that the struggle over who controls the development process during the transition period is of paramount importance because people are:

a) interested in a more equitable allocation of the resources of the country;
b) wish to democratise all the institutions that govern or affect people's daily lives, and that;
c) the struggle over development has to be linked to that of political power.

The message was that unless we are able to fundamentally redirect the way in which development of our communities takes place, political power at the national level will be meaningless.

2. POST-COLONIAL AFRICA AND DEMOCRACY

There is a general consensus across the African continent that independence generally failed the masses of our people. It did not deliver real Liberation nor real Development.

> "It was assumed that the removal of colonial rule would lead to the overcoming of the underdevelopment which had accompanied colonial exploitation. Foreign abuse of African resources would be ended and indigenous growth and development fostered ...

> [but] colonial powers had no intention to release economic hold — they were only prepared to remove the glaring aspects of foreign control"
>
> **(BEN TUROK IN "ALTERNATIVE STRATEGIES FOR AFRICA VOLUME 1: COALITION FOR CHANGE, IFAA 1990)**

In addition to the external problems and civil wars in some parts of Africa, very little post-independence progress was made because the masses who had supported the struggle for independence were not sufficiently organised to ensure the full consummation of victory. The ordinary people who suffered the most under colonialism could not press their claims for a better life. Nor were they allowed to strengthen the institutions needed for development.

Samuel E Chambua, argued that in Tanzania "as more and more voluntary and autonomous institutions were dissolved, co-opted or lost their autonomy the economic performance declined. Consequently the present socio-economic crisis cannot be divorced from the policies, actions and measures pursued or taken by the post-colonial state which have resulted in weakening the civil society and its role in development" (Alternative Strategies for Africa Volume 3: Debt and Democracy, IFAA 1991).

This lesson should not be lost by the grassroots organisations in South Africa. As Chambua further argues:

> "Development cannot be achieved by destroying the initiative of the masses to organise themselves through associations independent of the ruling party and state. For no people will ever release its creative capacity for productivity and development without real participation in the democratic process designed to promote development and self-reliance"
> (ibid).

Chambua is arguing that no development policies and strategies will succeed unless they put people first — as the planners and implementers, not just objects to be moved from one piece of land to another to give way to so called "development".

Despite the fact that about 70% of the people in Africa are concentrated in the rural areas, and that the agricultural sector provides 30%-60% of employment, the development policies of most African governments are one sided with emphasis being placed on the "development" of industry and commerce at the expense of the agricultural sector.

Ramulika argues that the agricultural sector in Africa has the potential:

1. To enable many people to participate in production so increasing their disposable income and providing effective demand for the industry;
2. To increase productivity of local investment by doubling output through use of better technology and thus preventing dependence on external capital investment;
3. To cut down the rate of unemployment; and
4. To enable the majority of people to develop their capacity to manage the constraints, internal and external, on their political, social, cultural, economic, scientific and technical levels of life.

He argues that when people are responsible for the process of producing their needs — their food crops and their cash crops — they will confront their environmental obstacles at first hand. They will then discuss the nature of problems, decide on solutions and expert advice needed and be committed to successful implementation.

These are the conditions for the emergence of social and cultural clubs and societies, producer and/or consumer co-operatives, trade unions, credit or saving unions, etc.

3. LESSONS FOR SOUTH AFRICA

Important lessons for South Africans are:

i) the change of government from white to black does not by itself deliver democracy and development;

ii) The lack of sufficiently organised civil society (people's institutions) at independence leads to derailment of the struggle for national development and to corruption of leadership;
iii) Political independence is interdependent with economic independence. One cannot exist without the other;
iv) Destroying people's organisations undermines their initiatives, retards their creativity and commitment to maximise their productive capacities;
v) Our people are our main assets. Development must be planned and implemented with them and not for them by others;
vi) Our development policies and strategies in South Africa must be human centred and give due emphasis to the rural and agricultural sector.

4. FROM PROTEST TO DEVELOPMENT?

The main questions are: how will the transition take place? Do community organisations have the institutional capacity and/or resources to handle development? What role do they have to play in the democratisation and development process?

We should not confuse our role during the period of anti-apartheid struggle with our role during the transition period and in the period of nation-building and development.

The authorities would like NGOs to shift their emphasis away from protest to development. The late Dr Simon Brand, then chairman of the Board and chief executive of the Development Bank of Southern Africa said: "...positive development during the review year (1990/91) was the re-orientation and re-organisation that took place on the part of non-governmental organisations (NGOs). Whereas many of these organisations played a semi-political role in the past, since the lifting of restrictions on political movements there have been conscious efforts on the part of NGOs to shift their emphasis towards more directly developmental activities and out of the more directly political terrain". (DBSA Annual Report 1990/1991).

Dr. Brand also said that "the Bank (DBSA) will be able increasingly to support the development of these institutions and channel more resources

through them for development programmes and projects. The increasingly positive relationships that have developed between the Bank and a variety of community organisations should further help to ensure that such programmes and projects will be directed to the real needs of the poor and other disadvantaged groups".

Does this indicate a genuine shift from treating development as a project of the central and local governments (including homelands) to a more decentralised process where community organisations play a central role?

There are other development agencies like Independent Development Trust (IDT), South African Housing Trust, Small Business Development Corporation (SBDC), Kagiso Trust, etc., all of whom espouse objectives geared towards the development of poor (black) communities.

But how can community organisations ensure that they impact on the policies and decisions of these organisations? We have to come up with practical strategies. Some of the means now being used are:

Local Government: Many civics continue to use protest as a strategy in support of their negotiating strategies. For instance, the end of a four year Soweto rent boycott resulted in an agreement/accord between the three Soweto Councils, Soweto Civic Association and Transvaal Provincial Administration. This was followed with the formation of a Metropolitan Chamber consisting of structures which serve as a negotiating forum. This has shifted the relationship from an adversarial to cooperative one.

Local Development: Alexandra Civic Organisation has used its muscle to pressure the local authorities to resign and fight residents battles, resulting in clinics, schools and an arts centre being erected in their township. The Vaal Civic Association has just formed a Development Trust which seeks to:

- reduce high failure rates in schools
- make education available to the poor through bursary provision
- provide advice services
- reduce unemployment etc.

Educational Developments: The National Education Coordinating Committee developed a strategy to contain disruption at schools. It is based on parents, teachers, students associations and local and regional education coordinating committees. In furtherance of this strategy the Soweto Education Coordinating Committee has agreed to the formation of a joint committee between itself and the Department of Education and Training. This structure will deal with problems pertaining to Soweto schools and the demands of teachers, students and parents. This represents a shift away from school boycotts as a means of resolving problems.

Also the NECC has itself established educational programmes aimed at teacher upgrading and assistance to students.

Labour and Development: The largest African Trade Union Federations in the country, COSATU and NACTU, fundamentally changed their strategy when they agreed with employers' Federations, SACCOLA and the Government's Department of Manpower to negotiate labour legislation for the country. Currently the two Federations are also negotiating economic policy with business organisations. This indicates a willingness on their part to combine their protest/strike muscle with strategic engagement at various levels in the pursuit of development.

Although the protest element is still seen as an important tool of the civil society, there is a shift towards willingness to cooperate with private and government institutions in areas pertaining to development. If this is the trend, how do we prepare our human resources to be able to cope with the demands of these development processes? The question of capacity-building is central here.

5. CAPACITY-BUILDING FOR DEVELOPMENT

The question of whether or not individuals and institutions in poor communities have the capacity to handle their own development is vital.

NDF suggested that institutional capacity embraces the following:

a) The ability to maintain a grassroots developmental approach that effectively empowers our communities through the process.

b) The ability to initiate, manage or control development programmes in a wide variety of sectors, in such a way that the different programmes interlink and combine into a coherent national strategy.

c) The ability to coordinate initiatives of the democratic movement in order to produce a cohesive response to state and other initiatives, and to chart an independent democratic path to the attainment of our developmental goals.

d) The ability to mobilise and deploy development capital (financial management skill).

e) The ability to effectively engage with other actors at local, regional and national levels.

The forum listed important ways in which this institutional capacity can be built. However, we also need to pay attention to individual capacities: leadership, cadres or activists, administrators, and ordinary members who are residents in these communities. Institutional capacity requires the development of individual capacities.

We must also discuss how NGOs/Grassroots Organisations can cooperate towards effective capacity-building programmes to ensure that our people can make meaningful contributions in planning, appraising development policies and strategies, and developing and implementing alternative policies and strategies. Important skills that immediately come to mind include:

— organisational administrative skills
— communication skills
— management skills
— financial skills
— technical and vocational training
— scientific education and training
— research skills
— education and training skills
— social skills
— entrepreneurial skills
— leadership skills etc.

To succeed in this process of empowering our people for development, we will need a coalition of all people's organisations, professionals, politicians, business etc.

PART III: ▼

WHAT CAN WE LEARN FROM AFRICA?

THE NEW WIND SWEEPING ACROSS AFRICA

BY BEN TUROK

THE nations of the South, especially Africa and Latin America, are becoming poorer by the day because of their astronomically high debts. In 1986 Africa's debt was US $270 billion. Today it is much more because the annual interest on these debts amounts to about $40 billion. African nations, like other poor nations of the world, can't even manage to pay this annual interest. Each year the debt becomes larger and there appears to be no way of ever paying it back.

Living standards in Africa are falling dramatically. The ECA (Economic Commission for Africa, a commission of the United Nations) calculated that living standards dropped by 75% during the 1980s.

How does one explain this rapid slide into grinding poverty and more debt?

LOANS WITH STRINGS ATTACHED

The nations of the South are over their heads in debt because of loans they received from the North, principally through the World Bank and the IMF (International Monetary Fund).

These two banks or lending institutions were set up in 1944 to help reconstruct Europe after the second world war. During the early seventies when the OPEC countries were making huge profits from the high price of oil and looking for new places to invest their billions, the World Bank and IMF undertook to lend the money to poor Third World Countries at relatively low interest rates.

FOOTNOTE: *Published in Challenge, March 1992.*

The poor nations were in desperate need of funds and the cheap loans on offer appeared to be real bargains. No sooner had they taken the loans than interest rates began to rise, making repayment more difficult each year.

It must be stressed that both the IMF and the World Bank are "banks" not "charities". They operate as businesses that must keep their shareholders happy by making a handsome profit. In this case they make their profits out of the financial needs of poor countries who must give the little they earn to banks in the North instead of using it to improve the standard of living in their own countries.

Moreover, these loans come with strings attached. To ensure that there will be money to pay the rising rates of interest and eventually to pay back the loans, the World Bank and the IMF demand major policy changes in the economies of borrowing countries. The changes are known as Structural Adjustment Programmes (SAP). More than anything else it is these loan conditions that have made the poor of Africa poorer and more destitute than ever before.

One of these structural adjustments is the devaluation of the national currency. This ensures that the lenders from the North get value for their money, but it also means that the wages of the worker can buy less and less because the money is worth less and less in the shops.

Another condition is that government subsidies on basic foodstuffs must be reduced — sometimes drastically. The borrowing government will then save money to pay the interest on its loans, but the poor will be paying more for food.

SAP also requires that poor countries increase exports and decrease imports to improve their balance of payments. In practice this forces a country to concentrate on the production of raw materials like copper, coffee or fruit for export to the North, while the people in the borrowing nation stare at empty shelves. And because the prices of the raw materials exported are controlled by the North, these prices can drop dramatically overnight.This means that one's exports can suddenly become worthless. For example when the price of copper dropped to a fraction of what it had been before, the economies of copper- producing countries like Peru and Zambia were simply ruined.

There are, of course, other factors to be taken into account like corrupt governments and the waste of money on prestigious buildings, but that does not detract from the serious problems created by the policies of the banks from the North. During the seventies there was a net flow of capital from the North to the South; during the eighties and for the foreseeable future there is a net flow of capital from the South to the North.

ALTERNATIVES

The people of Africa are gradually waking up to the causes of their escalating poverty. When food prices soar the people riot and they now call these protests "IMF riots". The OAU (Organisation for African Unity) and the ECA have been protesting for the last ten years about the harsh economic conditions imposed upon African countries by the IMF and World Bank, but now they are making demands. For example, they are demanding that these two banking institutions deal directly with the OAU and ECA rather than with individual African nations who by themselves have very little bargaining power.

More than that, the OAU and ECA are now putting forward proposals, like the Lagos Plan of Action, to reduce dependency upon the North.

The World Bank is supposed to help poor countries with development projects; in fact it has destroyed any real development. The Lagos Plan proposes the use of local resources, human and material, to develop agriculture and small industries and to make foreign aid a very last resort.

The IMF was supposed to give loans in order to improve the balance of payments in poor countries; in fact the balance of payments has worsened dramatically in the nations of the South. The Lagos Plan proposes a more diversified economy that relies much less upon the fluctuating prices of exported raw materials.

Africa is beginning to look for more independent forms of development. These, together with the emergence of more democratic governments and more democratic ways of planning and executing economic projects, are the new winds of change sweeping across Africa today.

LESSONS FOR SOUTH AFRICA

South Africa's relationship with the World Bank and the IMF is full of contradictions. The apartheid government borrowed heavily from the World Bank during the fifties and early sixties to develop its nationalised industries like the railways, harbours and electricity (ESCOM). Apartheid was so successful as a way of repressing the poor during the sixties that the government was able to pay back its loans. After 1967 no more loans were forthcoming from the World Bank. South Africa was no longer regarded as an underdeveloped country!

During the seventies, however, when the IMF was looking for places to invest its OPEC billions South Africa was given loans on easy terms. But after 1976 with growing international sanctions and a deteriorating South African economy, the IMF developed a new kind of condition for any further loans: the dismantling of apartheid!

Today South Africa's economy is in a serious state of crisis — not because of foreign debt but because of apartheid. And, as we begin to move away from apartheid and sanctions, many South Africans believe that what our economy needs above all is foreign investment. Loans from the World Bank and IMF will give our economy a "kick-start", they say.

But is this really true? Are there not lessons to be learnt from the experiences of other African countries? Or are we going to ignore once again the winds of change that are sweeping across Africa?

There is a shortage of investment capital in South Africa and loans from the IMF can help us with our balance of payments in the short term, while loans from the World Bank can help us with the housing backlog, the provision of more education and other developmental needs. But what about the conditions that SAP will impose? Won't the strings attached to loans create even more unemployment and more poverty for the majority of our people?

South Africa must join with the other nations of Africa in the search and the struggle for alternative forms of development.

HOW CAN AFRICA GET BACK ON ITS FEET?

BY BEN TUROK

IN trying to combat peripheralization of Africa, especially in the last decade, two options for the continent are often proposed: demanding equality in the global system, or withdrawal and turning to self-centred development.

Demanding equality is the first option. The principal external factors undermining Africa's performance are the debt burden, adverse commodity pricing on the world market, and the restrictive conditionalities imposed by the International Monetary Fund and the World Bank.

The debt burden is a consequence of the easy money conditions existing in the 1970s when Western banks were flush with the surpluses derived from the OPEC hike in oil prices — which led to offers of soft loans to Third World governments. These were loans, not gifts, and had to be paid back.

Unfortunately, Third World export revenues fell, interest rates on the loans increased and in a few years, Third World governments and especially African governments were unable to repay the debts — in some cases not even the service charges on the debts.

Presently the total African debt for Sub-Saharan Africa (excluding South Africa) stands at US $25,3 billion — which averages 40 percent of total export revenues. In some countries it is much higher, so that almost all income from exports is immediately used to pay for debt servicing abroad. Indeed payments are not even made to the country but are merely book transfers in Northern banks.

FOOTNOTE: *Presented at the Pan African Conference at Potchefstroom University, 1st May 1992. Published in Vrye Weekblad, 15 May 1992.*

But this does not give the total picture of global pressure on the Third World. From 1982 to 1990 there was a net transfer of US $300 billion from South to North. For Sub-Saharan Africa the figure was US $156 billion for 1984 to 1990.

Most disturbing was the net transfer from Sub-Saharan Africa to the IMF and the World Bank, which was US $4.7 billion for 1986 to 1990, despite the claims by these organisations that they are concerned with development in Africa.

We find the amazing assertion by Michael Clough of the US Council on Foreign relations that there is an illusion in African countries that "the US will take on Africa's burden". In fact there is no such illusion — rather there is a concern that the US, like most Western powers, is no longer interested in the degree of deprivation in Africa.

As to the terms of trade, we are obliged to the Frazer Report on Africa's Commodity Problem, commissioned by the United Nations in 1990, for the true extent of Africa's disadvantage. It states that Africa's non-oil commodity exports earned $18 billion in 1988; that is 35 percent less than in 1970.

Yet Africa required $17.2 billion for debt servicing and $13 billion for food imports, making a total of $30.2 billion as against $18 billion earnings.

These needs of debt and terms of trade certainly raise questions about the global system.

Should we not call upon the conscience of people in the North to speak out against the enrichment of their governments through debt repayments, against the benefits that citizens in the North get through cheap primary commodity imports and against the exorbitant import duties imposed by European governments on coffee etc., which find their way into government revenues?

Furthermore, apart from lower prices, the Third World's share in international world trade has fallen from 28 percent in 1980 to 19 percent in 1986

and it is still falling. The North is increasingly trading with itself, thereby marginalising the Third World. Africa represents a mere 4 percent of annual world trade. It is a rich man's world.

The case for equalising the benefits of the productive activities of the people of Africa throughout the global system is therefore very strong. The principal obstacle to this kind of global solidarity is to be found in the self-interest of the people of the North and in the selfishness of the elites and the governments of Africa. In addition, their flabbiness has allowed the tactics of divide and rule by the North to drain their energies. For instance in the negotiations over debt, the Paris Club represents the joint interests of the North, but they insist on summoning individual African countries and refuse to tolerate joint delegations from the OAU.

And then there is the question of restrictive conditionalities by the IMF and the World Bank. Granted that African economies are now in dire straits, partly for the reasons given above, drastic remedial measures are required. But are the Structural Adjustment Programmes imposed on Africa by the IMF and the World Bank desirable? Is a devaluation of 10 000 percent forced on Ghana equitable? Is it right that Zimbabwe's dollar should be devalued by 50 percent since the adoption of the current adjustment programme?

Perhaps we need to raise questions about whose authority is being used as the basis for the measures of devaluation, government spending cuts, cost recovery for social services and the rest of the structural adjustment package? To which electorate is the IMF and the World Bank accountable? When did they hold elections? Or consultations with public opinion?

Why is it that Professor Stanley Fischer, former vice president of the World Bank, should attack this very secrecy when he resigned, arguing that the Fund and the Bank operated "with few checks and balances in developing countries"?

These issues require close examination by people of integrity across the world and their solidarity against powerful institutions like the G7, GATT (General Agreement on Tariffs and Trade), the IMF and the World Bank.

The second option is withdrawal from the global system. This is the approach favoured in the 1980 Lagos Plan of Action adopted by the OAU and the UN Economic Commission for Africa (ECA). It is generally accepted that the plan was never implemented, some arguing that Africa's elites have been able to milk the economic relations with the North so that their self-interest militated against the delinkage.

Nevertheless, the continent has deteriorated so much in the last decade and living standards have fallen by over 75 percent. This has led to serious rioting on an unprecedented scale, political instability and the fall of one government after another.

Those with a vision of the total picture have therefore renewed the call for an Alternative Development Strategy based on notions of inward looking and sustainable development, self sufficiency, regional integration and the like. These propositions are linked to democratisation of the political and economic systems based on "people's participation", "empowerment", "democratic process", etc.

Salim Salim, OAU Secretary General has said: "A society's ability to mobilise its creative abilities and apply them to development is determined largely by its degree of democratisation".

The major question therefore is whether the degree of democratisation sweeping across Africa is likely to lead to a greater capacity to withstand global pressures than before. Can Africa adopt a posture of selective withdrawal linked to an alternative development strategy, to balkanisation and continental cooperation?

WORLD BANK'S LONG-TERM PERSPECTIVE STUDY ON AFRICA: An African critique

BY BADE ONIMODE

> "The experience of the first generation of Africans after independence raises some searching questions. Does Africa face special structural problems that have not been properly understood? Has the institutional dimension been neglected? Have the recent reform programmes been too narrow or too shallow? Could the process of formulating and implementing reforms be improved? Has the effect of external factors been correctly assessed? Are external assistance and debt relief appropriate and adequate? More fundamentally is there a long-term vision that is both credible and energising?
>
> **WORLD BANK, LTPS, P.1**

PROLOGUE

THESE questions from the World Bank's major policy work, "Sub-Saharan Africa: From Crisis to Sustainable Growth — A Long-Term Perspective Study", demonstrate two significant facts. One is that the Bank itself has serious and nagging doubts about the positive impact and orientation of its policies in Africa over the past three decades. This is particularly so because the SAPs of the 1980s were designed precisely to deal

FOOTNOTE: *This article was presented at a conference on Africa's economy organised by the Institute for African Alternatives in January 1991. A more complete version of this article was published in "Third World Economics" 16-30 April 1991.*

with these questions — or so we have been told. That these questions should now arise reflects the deep-seated dissatisfaction with the Bank's own performance in African countries.

Consensus and Implementation

In the second place, the questions also show that gradually, if belatedly, the Bank is coming round to contribute to the critical process of consensus building on some important solutions to Africa's problems. They reflect the emergence of significant areas of consensus between the Bank and its major critics in and outside Africa. (LTPS, pp1-2, 14-15)

These areas of agreement bear recounting:

— the need for adjustment with growth rather than the erstwhile insistence on stabilisation before growth (though this is not equal to the development or structural transformation required by African countries)
— human-centred development process and not mere economistic preoccupation with material things
— the imperative of food security that still falls short of regional food self-sufficiency
— democratic participation with equity
— capacity building and regional self-reliance
— the long-term conception of development

But the proposed means of achieving these goals are still debatable, while the areas of emerging consensus are yet to be translated into concrete policy actions and programmes.

The recovery and structural transformation of Africa is fundamentally the responsibility of Africans that can only be assisted and supported from outside rather than being displaced or subordinated by foreigners. It is therefore imperative that Africans must subject the World Bank's LTPS to critical evaluation to ensure that they do not displace or distort Africa's legitimate aspirations and proclaimed policy initiatives. It is from this pertinent and imminent perspective that this paper finds the LTPS unwarranted, contradictory and therefore untenable as a policy option for Africa's development.

Untenable Assumptions of LTPS

The LTPS's bogus assumptions include the following:

- Africa has no long-term perspective of its development hence the need for the World Bank's
- Existing SAPs imposed by the IMF and World Bank should continue in spite of their catastrophic failure and Africa should leave this failure alone and start perspective programmes
- The ideology of liberalism based on exclusive reliance on market forces and competitive pricing is best for Africa
- The atomisation of the state and informalisation of the African economy are the best way forward
- Peasant agriculture is the best option for the transformation of Africa's agriculture
- People's development in the social services should be based on cost-recovery pricing in education, health, etc.

On the first false assumption that Africa has no long-term perspective the World Bank is pursuing a familiar course of always rejecting and opposing Africa's legitimate economic programmes.

Thus when African countries under the auspices of the OAU adopted the Lagos Plan of Action (LPA) and the Final Act of Lagos (FAL) for Africa's economic development from 1980 to 2000 (a long-term perspective study), the World Bank rejected it and produced a counter-programme in the Berg Report titled "Towards Accelerated Development in Sub-Saharan Africa" which is outward-looking while the LPA is inward-looking.

When Africa prepared the African Priority Programme for Economic Recovery (APPER) for 1986/1990 for dealing with the crisis of the 1980s and the UN adopted it as the United Nation's Programme of Action for Africa's Economic Recovery and Development (UN-PAAERD) the World Bank and IMF produced an alternative Structural Adjustment Programme (SAP). And ten years after the ECA's production of a "Long-term Perspective" for Africa that was published for 1983-2000 and revised

in the mid-1980s, the World Bank has now produced its own counter long-term programme in the LTPS.

Why does the World Bank persistently reject and oppose excellent economic programmes produced by the OAU and ECA in preference for its own alternatives? Who is the World Bank serving in Africa then? With the LTPS, the World Bank has to answer these questions unambiguously, especially since it maintains its empty rhetoric that "Africa's future can only be decided by Africans". (LTPS, p.2)

The existing SAPs have failed disastrously, but instead of dealing with the mess, the LTPS invites African countries to give up their present in a grand diversion to the future — and as Keynes maintained, in the long-run, we are all dead. The excessive reliance on economic liberalism in trade and other areas has been exerting heavy tolls on Africa since the 1980s while Africa's structural rigidities have been shown repeatedly to be inconsistent with the competitive dreamland of Adam Smith in the LTPS. It is not the business of the Bank to prescribe the Nordic model for Africa (LTPS, pp.186-7).

The state in Africa is to be atomised and weakened by privatisation and other measures but it is being strengthened abroad. The informal sector is to become a dynamic force in Africa — how can this weak and disorganised informal sector lead Africa's industrialisation without medium and large-scale core industries that transformed the advanced countries?

Similarly, predominant peasant production has not been known in history to have transformed the agriculture of any country as assumed in LTPS. The assumption that competitive cost recovery pricing of education, health and other social services will ensure human resources development is equally untenable as orthodox SAPs have failed catastrophically with consequent enormous human costs.

CAUSES OF AFRICAN CRISIS AND PROJECTIONS OF RECOVERY

On the basis of these false and unrealistic assumptions, the LTPS proceeds to a curious analysis of the causes of the socioeconomic crisis and projects conservative growth targets.

Causes of the crisis

The correct diagnosis of the causes of the crisis is critical to its effective and urgent resolution. Here the LTPS goes into deep economics and maintains: "But the low return on investment is the main reason for Africa's recent decline' (LTPS, p. 3). It insists against all the evidence that the main causes of the crisis and decline in per capita income are internal and these are (a) falling export volumes, not falling terms of trade; (b) excessive population growth; and (c) low level and efficiency of investment (p.3).

The annual net transfer of resources from Africa is over US $5 billion, including net transfers to the IMF and World Bank of over US $1 billion annually; the crushing external debt service is over US $20 billion annually with a staggering debt service ratio of over 47% in many countries; and the calamitous fall in export prices with the collapse of international commodity agreements in the 1980s cost Africa's cocoa exporters an estimated US $150 million in 1990 alone. All these factors plus foreign protectionism with synthetic substitution have been major causes of the decline in export volumes. Even when many African countries increased their export volumes, they realised less export revenue (e.g. Cote d'Ivoire during 1989-1900).

Then, of course, the disarticulation of inherited colonial economic structures, rising hostility of the international economic environment manifested in trade restrictions, increasing interest rates, deteriorating foreign lending conditions, etc. are all supposed to be insignificant. Even such internal factors like corruption and the siphoning of huge funds abroad have been perpetrated mostly by unpopular regimes imposed on African countries by western countries.

Nobody denies the contribution of internal factors to the African crisis but its dominant causes are external — including failed World Bank and IMF policies like excessive generalised devaluation, import substitution industrialisation, and the imperative of foreign capital in growth that led to the external debt crisis.

Projected growth rates

In addition to the faulty policy prescriptions in the LTPS, conservative projections for recovery are suggested as follows:

GDP	4-5% at least
Industry	5% and rising to 7-8%
Agriculture	4%
Other sectors	4-5%
Productivity: -of labour -of land	 1-2% 3%

Source: LTPS, p.2

These projected annual growth rates are supposed to be based on the historical trends which are even seen to be 'highly ambitious'.

Thus the LTPS states that the GDP grew at an average annual rate of 3.4% after 1961, but that there were variations across countries and over the three periods: 1961/72, when per capital income grew, 1973/80 when there was stagnation and 1981/87 when there was decline (under SAP).

By contrast, the ECA's long-term perspective for Africa has two scenarios, namely, the projection of an historical trend, which it rejects because it might lead to a 'nightmare scenario' and the projection of a normative trend that corresponds to Africa's aspirations and some of the best achievements of the past. It is not surprising that by rejecting the ECA's normative trend projections that yield higher growth rates, the World Bank concluded in its 1990 "Report on World Poverty" that Africa will be the only region in the world where per capita income will be falling right up to the twenty-first century. This will happen if Africa is to open up its economy fully to foreign pillage, depend mainly on peasant agriculture, rely on the informal sector for industrialisation and start 'new generation SAPs'.

It must be emphasised that African countries greatly exceeded these conservative growth targets in the 1960s and 1970s. If recovery with transformation under massive reforms is to be meaningful, these growth targets must be exceeded in the 1990s.

NEW GENERATION SAPS AKD GLOBAL COALITION FOR AFRICA

The LTPS showed its perverse intentions by calling for 'new generation SAPs' and a global coalition for Africa in the 1990s. These confound the real intentions of LTPS and the main interests that the World Bank seeks to serve and promote.

New generation SAPs

The proposal that SAPs are still evolving (LTPS, p.xi), raises some urgent questions about the old and new generation SAPS, i.e., SAP Mark I and SAP Mark II. First why do the IMF and World Bank insist on policies that have failed disastrously e.g. exclusive reliance on market forces and free pricing, trade liberalisation, massive devaluation, high interest rates for so-called positive real rate of interest, unwinding of the state, doctrinaire privatisation etc?

Second, if African countries have in effect been used as guinea pigs for policy experiments in SAP Mark I, what is their compensation for the enormous losses imposed on them? What is the guarantee that in a few years, the new generation SAPs Mark II will also not be declared as policy experiments? And for how long is Africa's development to wait while the World Bank amuses itself with these policy experiments at the expense of the lives of our people?

African countries have produced an African Alternative to IMF/World Bank SAPs in the form of the "African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP)". This AAF-SAP is intellectually superior to SAP and more relevant to the African context. So why is the World Bank not prepared to assist African countries to implement it rather than wasting resources on spurious alternatives?

Even the so-called new generation SAPs are problematic. Their movement towards consensus with African aspirations in AAF-SAP by allowing for more supply-side considerations, emphasising human resource development, capacity building, democratisation etc. are yet to be implemented. The old SAPs are still very much in place without any sign of being replaced. While Africa is seeking long-term development or structural transformation, the LTPS is still preoccupied with mere growth — even in the long-run. And Africa's long-term development objectives like the achievement of regional food self-sufficiency, production integration, satisfaction of basic needs, etc. are yet to be accepted by the LTPS, e.g. it calls for food security which can be met by precarious food imports and food aid measures rather than through domestic food production.

Global Coalition for Africa

The call for a Global Coalition for Africa (GCA) contradicts the LTPS rhetoric about Africans leading the process of regional development.

"Can Africa's decline be reversed? The simple answer is yes. But it must happen from within Africa" (LTPS, p. 194). Yet there is a call for "a new international compact for Africa" — to build on the work of the UN-PAAERD initiative that ended in 1990. This Global Coalition for Africa is to be "broader and more permanent".

"Its mandate would be to cover the full range of long-term development issues". A forum of African leaders and key foreign partners [shall] agree on general strategies that would then provide broad guidance for the design of individual country programmes" (LTPS, p. 194).

This is effectively a demand for an Alternative Economic Commission for Africa which we reject very firmly. The World Bank's preference for operating against the ECA and OAU's programmes like the LPA, APPER etc. should not be used as a basis for suggesting that the ECA has not been effective and relevant to Africa.

The "full range of long-term development issues" and the generation of "general strategies that would then provide broad guidance for the design of individual country programmes" is not the business of the World Bank

or of any dubious Global Coalition for Africa. This is another grand design to disorient and derail Africa and we reject it. The proposed location of the Global Coalition for Africa in Europe with Robert McNamara, former President of the World Bank as its Chairman, reflects its inconsistency with Africa's aspirations and basic interests.

The existing institutions for African development are quite adequate — if only the World Bank will stop undermining them by dismantling Planning Ministries and institutions in African countries. This must stop and the World Bank should be told firmly that it is exceeding its mandate and embarking on the unacceptable recolonisation of African countries.

STRATEGIC AGENDA FOR THE 1990s

The last chapter of the LTPS elaborates a so-called strategic agenda for Africa in the 1990s. This is inconsistent with the World Bank's declaration that: "Africa's future can only be decided by Africans. External agencies can play at most a supportive role" (LTPS, p. 2) and: "...the reform programme is the governments' (LTPS, p. 14) and that the reversal of Africa's decline "must happen from within".

If these are not empty rhetoric, why should Africa's strategic agenda for the 1990s not emanate from Africa? Since the OAU approved AAF-SAP and the LPA as Africa's strategic agenda for the 1990s and beyond, why does the World Bank prefer its own alternative agenda? Why is the Bank not supporting Africa in implementing these programmes?

This so-called strategic agenda is also too narrow and too conservative for Africa's long-term development. First, African countries cannot make major headway in the 1990s and beyond without the resolution of the external debt crisis. Yet, the LTPS agenda is silent on this central question. The continuation of the IMF and World Bank's failed SAP is also inconsistent with any significant development in Africa in the 1990s and beyond.

The LTPS emphasises self-reliance and integration superficially — its conception and strategies of integration are very narrow, conservative and

different from Africa's. The LTPS is silent on production integration which is the key to the elimination of the structural root causes of Africa's protracted crisis. Market integration with cooperation in production will have little to sell. Hence the market integration preached in the LTPS will only open up African markets for the products of the transnational corporations that have been exploiting, decapitalising and impoverishing Africa for decades.

This so-called strategic agenda is also externally oriented against Africa's inward-looking development strategy. It focuses heavily on foreign donors and a foreign-dominated Global Coalition for Africa.

The strategic agenda is also suspiciously silent on food and agriculture, industrialisation and the development of science and technology. Yet, these are among the priorities adopted by African countries for the region's agenda in the 1990s and beyond. Thus Africa has been emphasising human resources development and the promotion of core intermediate and capital-goods industries. But the strategic agenda sees only constraints and problems without prospects in the development of core industries (LTPS, p. 187). In these ways, it is clear that the LTPS so-called strategic agenda for the 1990s is a programme for the continued derailing of Africa's transformation, for the continued demobilisation and marginalisation of Africa. We reject it as too narrow, extremely conservative and suspect in other respects.

EPILOGUE

The World Bank's LTPS is a continuation of the Bank's chosen policy of opposition to, and rejection of, economic programmes and blueprints prepared and adopted by Africans themselves; e.g. The Lagos Plan of Action, LPA, and ECA's Long-term Perspective, 1980-2008 that were published in 1980 and that are still valid and even more relevant than ever.

The false and unrealistic assumptions of the LTPS, its inconsistent and contradictory policy directions and targets, its excessive outward orientation and insensitive neglect of Africa's established development objec-

tives and strategies make it largely irrelevant to the accelerated recovery and structural transformation of African countries. Its call for 'new generation SAPs' (SAP Mark II) and a Global Coalition for Africa (GCA) are equally diversionary and mischievous to say the least and we reject them.

The indication of emerging areas of consensus in the LTPS between the World Bank and its critics is the most positive aspect of the study. The opportunity should now be taken to implement these areas of agreement with respect to human resources development, need for effective integration, capacity building with the development of science and technology, putting people first through democratic participation, etc. But these policy directions cannot be achieved with most of the means suggested in the LTPS like excessive market reliance, full economic liberalisation, cost recovery pricing in health, education etc. and the increased external dependence of African countries.

LITTLE COMFORT FROM THE WORLD BANK

"Some crucial findings of the report (South Africa: Macroeconomic Ideas in the Transition) are ... That there is no way in which South Africa can secure a major reduction in the present level of inflation without at the same time incurring for several years continuing steep rises in unemployment, declining or static living standards and potentially explosive socio-political consequences."

Finance Week 21 November 1991

THE IMF AND THE WORLD BANK — THEIR ROLE IN AFRICA

QUOTABLE QUOTES

THE PHILOSOPHER'S STONE?

"THE World Bank's 6,000 mostly Washington-based staff have rarely hesitated to tell developing countries how to manage their affairs ... But it seems inherently implausible that a single set of policies will suit all developing countries at all times ... (This) brings to mind a period...after the Second World War when development economists — including World Bank heavyweights — last thought they knew it all ... The elixir of growth was thought to lie in state-directed increases in physical investment. Markets were regarded as an unreliable tool in primitive economies and many sectors were nationalised. Trade was seen as only (of) peripheral importance and countries erected protective barriers while producing domestic substitutes for imported goods. Agriculture was discriminated against to accelerate industrialisation. Many now chuckle at this "foolish advice" ... Will analysts in 2031 ... argue that the bank's faith in markets is excessive? After all the bank's own analysis suggests market-oriented structural adjustment programmes in the 1980s had a negligible impact of living standards ... the bank's case is not proven by citing a few recent success stories and dodging the hard questions. The existence of millionaires does not prove that everyone can be one."

Financial Times 8 July 1991

OPPOSITION IN NIGERIA

"Against the background of widespread opposition, cutting across class, religious, ethnic and regional lines ... the Nigerian state ... sought, in public, to distance itself from the Fund whilst at the same time introducing measures which it claimed were home grown ... (Yet) the state came to rely increasingly on ... the Fund and the Bank ...(and) it sought to shroud its economic strategy in secrecy, signalling the end of an era of consultation ... Structural adjustment has had a major adverse effect on the living and working conditions of many Nigerians ... it is commonplace to hear of ... the 'obliteration' of the middle class."

Africa World Review April 1991

LACK OF WILL

"Sub-Saharan Africa's debt profile continues to deteriorate. According to the UN, the debt/GDP ratio rose from 74% in 1986 to 113% in 1990, while scheduled debt servicing absorbs almost 30% of African export earnings ... Debt forgiveness in the past three years totals some $2bn from a debt stock of $148bn... It would help ... if there were a greater willingness on the other side of the fence — at the World Bank — to acknowledge the failure of many of its African policies."

Financial Times 14 October 1991

BANK PROJECTS A FAILURE

In last year's report by Willi Wapenhans on the success rate of Bank projects, Africa showed up particularly badly — around 70 per cent of agricultural projects were judged failures. Nor is Africa using its money: the Bank group lends about $4bn to Africa yearly but currently around $14bm is waiting to be disbursed. Governments are not meeting conditions for disbursement, indicating both a lack of local implementation capacity and poor project design.

Africa Confidential, 11 June 1993

THE EFFECTS OF THE STRUCTURAL ADJUSTMENT PROGRAMME ON WOMEN: Zimbabwe's experience

BY JUDITH CHIKORE

ZIMBABWE gained independence in 1980. In the euphoria of self rule, the black government was determined to improve the quality of life of the majority population who had suffered untold economic hardships under the colonial regime. The Rhodesian economy was largely sustained by cheap African labour. Various pieces of legislation were put in place to deny the Africans access to resources and opportunities to expand their economic base. During that colonial period, women found themselves at the receiving end of double-edged discriminatory practices. They were discriminated against because they were black as well as being women.

At independence the country did not only inherit an economy heavily skewed towards giving the whites a comfortable life but an economy which was war ravaged and saddled with a foreign debt of about Z $4 billion. It was in this scenario that the government initiated its socialist policies. The government had an obligation to improve the life of those people who had voted them into power. They had made promises during election time and they were duty bound to fulfil those promises.

From 1980 to 1990, the government of Zimbabwe placed great emphasis on building social services infrastructure in order to redress the social injustices of the colonial past and enhance the life style of the black majority. Thus in pursuance of this noble objective, the government expended a

FOOTNOTE: *Presented at the Briefing Meeting for NGOs on the IMF and the World Bank: Johannesburg, 28-29 June 1993.*

large part of the revenue on expanding educational facilities, providing health facilities and food subsidies as well as improving infrastructure in the rural areas. The government also legislated for minimum wage and improved working conditions for workers.

The various initiatives undertaken by the government from 1980 to 1990 led to dramatic improved social conditions for the black people in Zimbabwe, especially those who were in formal employment. The successes in the social development area, however, were not accompanied by development and growth in the productive sectors of the economy. Expansion in the social sector had resulted in a massive expansion of the civil service. By 1986/87 the government was consuming 51% of the national budget from 34% in 1979/80. Ultimately the lack of attention to the productive sector led to a decline in the per capita income and unemployment rose to undesirable levels. According to the results of The Labour Force Survey (1986-87), the unemployment rate was 7% including communal farmers and 16% if communal farmers are excluded. With an estimated 200,000 job seekers, mainly from the schools, the pressure on government to create productive employment became great.

By 1990 it was becoming increasingly obvious that unless the government took an aggressive policy towards job creation, the economy would collapse. The revamping of the whole economy would require massive funding. In the policy document which introduced the reform programme in Zimbabwe: "Zimbabwe — A Framework for Economic Reform (1991-95)", the government recognised that substantial financial assistance from the international community (external grants and loans) was going to be necessary for the success of the programme. It is easy to assume that when the government appealed to the World Bank and the International Monetary Fund for financial support these two money-making organisations recommended the Economic Structural Adjustment Programme — ESAP, based on the usual International Monetary Fund/World Bank prescription of "stabilisation" measures and "economic adjustment", which, as Nazneed Kanji and Niki Jazdowska aptly describe in their paper in the Review of African Political Economy No. 56, 1993, translate into:

- formal or de facto currency devaluation to discourage imports and encourage exports

- trade liberalisation through the abolition of price and import controls and more access for foreign and multinational companies
- reduction of government expenditure in the social welfare sectors through privatisation, introduction or raising of user charges and withdrawal of subsidies including those for food
- retrenchment of workers and wage restraints
- privatisation of government enterprises and parastatals [9]

While the Government of Zimbabwe continues to insist that ESAP is "homegrown", it has become increasingly clear that it is not homegrown at all, but rather comes with the usual set of IMF/WB conditionalities. Loans and aid from bilateral and multilateral donor agencies is tied to the implementation of ESAP. The World Bank and the IMF keep a very close eye on economic developments in Zimbabwe to ensure that the programme is not derailed.

ESAP is affecting Zimbabwean households in many different ways. In October 1990 when government introduced the ESAP, it claimed that the major objective of the programme was to improve the living conditions, especially for the poorest groups. In this third year of ESAP, it has become painfully apparent that, like every other developing country where such measures have been implemented, the negative social impact of structural adjustment has been substantial and arises from the fact that macroeconomic planning in structural adjustment does not incorporate social planning as an integral component of the planning process. There is an overemphasis on economic variables and the neglect of the social aspects of development. It is clear that social development is not an integral part of structural adjustment but merely an afterthought. [4]

It is true that, when ESAP was introduced, government warned that there would be a period of economic hardship due to the adverse effects of adjustment but very few people if any could have visualised the extent of the suffering. The price of commodities has been rising daily. For example, 50 kg mealie meal, the staple food in Zimbabwe, cost Z $22,32 in 1991 and Z $54,00 in 1993, a rise of 142%. With the lifting of food subsidies, life for the poor, especially women who have the responsibility of ensuring that family members are fed, has become unbearable. All this, coupled with the decline of real incomes due to inflation standing at 48%

and restricted government expenditure in the social sector has led to an alarming decline in the living conditions of the poor, with women forming a big majority. Retrenchments which are targeted at both the private and the public sectors are swelling the ranks of the unemployed and women are being forced to take on more activities in the informal sector in order to ensure survival of families.

The cut backs and wide ranging cost recovery programmes in all social areas have had devastating effects on many Zimbabweans. Following the implementation of ESAP in October 1990, the government has had to re-introduce fees for both primary and secondary schools as well as for examinations — policies which had kept the majority of blacks out of the educational system before 1980. The fees are differentiated on the basis of a system of the school designation and the parents' ability to pay. This means that unlike at independence when the government declared that education was a right for all, the re-introduction of school fees has made education a privilege and not a right. This movement from right to privilege is reflected by the increase in the number of school dropouts. The reason is that the school fees are prohibitive to the retrenched and to those not gainfully employed. Society in general and the poor in particular are hard hit by the cost recovery measures hence the increase in dropouts [3].

Another social impact of cost recovery in education is reflected by the massive withdrawal of girls which has been aggravated by cultural beliefs. In general, boys are remaining in school because of their parents' poor attitudes towards the education of girls and its perceived low economic returns to the family. [3] "ESAP has the potential to erode the few gains towards equality between the sexes that had been made in the first ten years of independence and indications are that this is already happening," stated Onward Mandebvu of the University of Zimbabwe's Department of Technical Education in a paper presented last year. [14]

An 85% increase in the cost of examination fees has resulte . in the reduction of the number of subjects taken at Ordinary Level and even occasionally in the total failure to sit for public exams. The encouragement of school development committees to assist with the welfare of the school shifts the cost burden of running a school from the state to the parents. [3]

One of the strategies of cost recovery in the health sector is the raising of hospital fees. This increase has resulted in a higher mortality rate. There has been a 40 to 60% increase in the mortality ratio after the medical fees increased. The attendance at clinics has also dropped by 30% since the increase in medical fees. This current method of cost recovery has disturbing long-term effects on the nation's health system and adverse effects on the national goal of health for all by the year 2000. Higher maternity fees have resulted in a higher infant mortality rate, 80 per 1000, as compared to 50 per 1000 in 1989. There has also been an increase in the maternal deaths during childbirth due to the prohibitive costs of prenatal care and maternity fees. Many mothers, being unable to pay the exorbitant maternity fees have sought assistance from traditional midwives, thereby increasing the chance of maternal death in the case of complications with the delivery. There has been a drop in attendance of about 35% between 1990 and 1992. Mothers are also being detained long after giving birth for failing to pay the high maternity and exorbitant hospital fees. Government has tried to assist the poor by exempting those who earn a salary which is below Z $400,00 but bureaucratic procedures often deny support to the intended beneficiaries.

Another impact of the increase in medical fees is that people who cannot afford these fees are waiting to seek medical attention until the disease or problem has reached a critical stage, thus resulting in even more expensive medical care; a problem which could have been avoided if the medical fees had been affordable in the first place. Since the provision of ambulance services now requires payment of cash irrespective of the condition and category of income of the patient, many patients die on arrival or medical treatment is administered too late.

Official government statistics indicate lower staffing levels within the Ministry of Health, reduced supply of drugs, reduced hospital and clinic attendances, increased maternal mortality, increased admission of babies born before arrival (BBA) and higher mortality among BBAs.[8]

The re-introduction of school fees and user fees for health services brings into serious question two of the government's commitments at independence to the people of Zimbabwe: that education is a right, not a privilege; and health for all Zimbabweans by the year 2000. ESAP reverses one of

Zimbabwe's great successes of the 1980s in the educational field and causes a serious decline in the educational standards of the next generation. Cuts in education are undermining the economic future of the country.

What do the increase in medical fees and the resulting decrease in the use of medical facilities mean? An increase in women's time spent in their traditional role of caring for the sick. Another dubious assumption made by the creators of ESAP is that women's time and ability to contribute labour is infinitely elastic.

Structural adjustment programmes are grounded in an ideology that is deeply exploitative of women's time and labour. Just as austerity measures are dependent on the exploitation of women's time and labour, so too the model for economic growth is dependent on the availability of a large supply of cheap female labour. [7] The planners of ESAP do not consider women's workload as a 'cost' or important variable in economic or development planning.

As the analyses of the impact of structural adjustment programmes have shown, many governments and international agencies have taken advantage of women's ability to draw on traditional networks of support to introduce policies which have been particularly devastating to women, and those for whose care they have been traditionally responsible. [7] The stressful nature of the survival strategies employed by women in a bid for survival is not recognised.

It has also become clear that the last minute 'band aid' efforts such as the Social Development Fund (SDF) to alleviate some of the harsh effects of ESAP are only geared towards the 'visible' groups rather than the 'invisible' groups which are predominantly home-based and female.[5]

While financial assistance is supposed to be disbursed to those in need through the Social Development Fund (SDF), it has become clear that there have been numerous obstacles relating to the disbursement of funds Firstly, there is poor dissemination of information on the SDF to those who most require its services. It became painfully clear to participants at a recent Zimbabwe Women's Resource Centre and Network In-House

Talk on Women and ESAP that the Ministry of Finance is not even aware of the devastating effects that ESAP is having on women in Zimbabwe. In fact, the woman who spoke at the talk on behalf of the Ministry of Finance seem puzzled that women were not making full use of the resources available to them through the SDF and was shocked to learn that the general public knows nothing about the facilities available because information on the SDF has only been posted and made easily available in government offices, not in places where it would be seen by the general public.

A recent editorial in the Sunday Mail stated, "It needs to be underlined with double lines that people cannot easily commit themselves to a programme whose agenda continues to perplex them. The truth about ESAP, of necessity, needs to be made public. Public opinion has been misled to believe that ESAP is a home-made brew for remedying the country's present economic problems." [13]

At the end of the day, the social consequences of ESAP will have their own serious economic consequences. To repair the social damage done now will be more costly than the few gains made by ESAP. [1]

In working class households in Zimbabwe, where women have little independent income and men are employed in low-paying manual jobs, women certainly seem to be worse affected than men by ESAP. In a study done on the effects of ESAP on households in Kambuzuma (a high density area of Harare), the question was asked whether men or women were worse affected by the increased cost of living as a result of ESAP. Almost all the women thought that they themselves were in a worse position, and the main reason given was that women were more concerned with household consumption and welfare. As one woman said, "I am the one who sees every day what the children need, I am the one who has to feed the whole family with a fixed amount of money and I have to think what to do." In contrast, most men thought that both men and women were equally affected, while one quite cheerfully admitted that his wife was worse affected because he continued to give her a monthly sum of Z $100 to meet food needs and she had to cope "by experimenting"! [9] In most cases survival strategies involve eating food of a lower nutritional value or even skipping some meals in order to make savings.

In examining ESAP, we have to ask ourselves four important questions:

- Does ESAP work by increasing the amount of unpaid labour women have to do?
- Does ESAP work by adding new kinds of paid work to the paid and unpaid work the women are already doing?
- Does ESAP add to women's responsibilities within the household without adding to the resources women require to fulfil those responsibilities?
- Is it women who are the shock absorbers of ESAP? [10]

Before concluding this paper, it is pertinent to analyse the role the NGOs have played in the scenario detailed above. The NGOs have not been vocal in criticising the reform programme for burdening the life of women. They have not lobbied enough for women to get fair recognition as a vulnerable group under ESAP. What they have done and continue to do is to afford women training opportunities to equip them with skills to undertake Income Generating Projects. Again, one would like to pose a question whether government would be free to abort ESAP if it felt that the suffering was too great. One only needs to look at the example of Kenya and Malawi.

Conclusion

There exists a male bias in structural adjustment programmes which stems from a failure to take into account the asymmetry of gender relations; the fact that women as a gender are socially subordinated to men through both social structures and individual practices. There are three important kinds of male bias implicit in the conceptual framework underlying structural adjustment programmes:

1) male bias concerning the sexual division of labour
2) male bias concerning the unpaid domestic work necessary for producing and maintaining human resources
3) male bias concerning the household which is taken to be the basic unit from which the macroeconomy is made up [10]

Any analysis of the impact of structural adjustment on women must address women's multiple roles: producers, home managers, mothers and social organisers.

It is essential that the intra-household distribution of resources is taken into account as well as the inter-household distribution of resources — which is crucial for the avoidance of male bias in empirical investigations of the impact of ESAP on living standards in Zimbabwe. [10]

The ESAP programme in Zimbabwe does not give sufficient attention to the underlying structural factors which not only impede women's entry into more productive economic activities, but also those that block their exit from less remunerative ones. [5]

The introduction and implementation of ESAP in Zimbabwe has been very undemocratic. ESAP is creating a dual economy of centre (a minority) and periphery (of which the majority are female). [1]

There has been a great deal of research, although it is still lacking in some areas, on the impact of structural adjustment programmes on women; not only in Zimbabwe, but throughout the developing world. What needs to be done now is not just to come up with more plans "to alleviate the negative effects of structural adjustment programmes, like Zimbabwe's ESAP, on vulnerable groups (read = women)," but to restructure structural adjustment programmes so that women are fully taken into account.

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SAPS AND WOMEN

FACTS AND FIGURES

"IN many developing countries the crisis of the 1980s halted the substantial economic and social progress which had been made by women during the preceding three decades", declared the Commonwealth Secretariat in its report Engendering Adjustment in the 1990s. Although women were still unequal to men, their life expectancy had risen, primary school enrolment rates had grown, and they had grown as a percentage of the workforce. The 1980s was a period of adjustment.

"Women have been at the epicentre of the crisis and have borne the brunt of the adjustment efforts. They have been the most affected by the deteriorating balance between incomes and prices, by cuts in social services, and by the rising morbidity and child deaths. It is women who have had to find the means for families to survive. To achieve this they have had to work longer and harder." Adjustment programmes ignored women's needs and concerns.

Women who are disproportionately represented among small and resource-poor farmers, find it difficult to respond to market incentives and other policy reforms associated with SAPs. A study in Kenya found that female-headed households are only half as likely as male-headed households to grow tea, the leading export crop, even though women did most of the work on that crop. Women farmers throughout the developing world lack access to resources such as land, cash and farm implements. Their access to services such as credit, agricultural extension and basic education, critical for changing patterns of production or increasing output, is also limited. Time constraints affected women's ability to respond to reform incentives. In parts of East Africa women work 16 hours a day on housework, caring for children, preparing food and raising 60-80% of the food for the family.

Massive redundancies in the state sector in African countries with structural adjustment programmes have also hit women, particularly in the health and education sectors. Since 1980 per capita consumption in Africa has fallen by one-fifth and real wages by a quarter.

Unicef studies reveal widespread deterioration in the nutritional status of children and pregnant and lactating mothers in countries with SAPs. In Zambia, which has had the greatest decline in terms of trade and the greatest debt burden relative to per capita GDP, deaths from malnutrition in health institutions rose from 1,000 per annum in 1975 to 5400 in 1984-86. Mortality rates from malaria have shown alarming increases, reflecting the general deterioration in infrastructure, health care and preventive health services. In addition, cutbacks in health spending has resulted in the exodus of more than half of all qualified physicians from the country.

Government efforts led to massive advances in formal education after 1964 and by 1988 there was 100% enrolment in primary schools with 91% of pupils completing primary school. The ratio of male to female enrolment increased from 51/34 in 1960 to 102/92 in 1988. Adult literacy rates improved from 66.37 for males and females in 1970 to 84/67 in 1985. But by the late 1980s the quality and accessibility of formal education had begun to decline. The lowering of the kwacha exchange rate pushed up the cost of textbooks, exercise books and school uniforms, and school fees were introduced. School children became more involved in family trading, especially girls, reducing their chances of completing formal education. The 'marriage factor' means people concentrate on boys because "the girl gets married" and the boy 'will have to run the home', although the present reality is that many women are running the home.

Research on the effects of SAP on women in Nigeria show that in 1988 34% fewer women were admitted to some hospitals than in 1978 and there was a staggering 60% fall in obstetrics admissions over the same period — the cost of confinement and delivery had gone up eight-fold. By 1987, 50% of children admitted to teaching hospitals in Nigeria suffered from malnutrition. Comparisons of height for age of children

between 1968 and 1988 also show significant deterioration. Government expenditure on health fell from 4.8% of recurrent expenditure in 1978 to 2.2% in 1989 and from 5.1% of capital expenditure in 1981 to 1.5% in 1989 (B. Folasade Iyun 1990 - unpublished).

Mozambique joined the World Bank and IMF in 1984 when it was faced with a serious debt crisis and declining production in all sectors as a result of war and drought. The Economic Recovery Programme (ERP) was expected to "reverse the negative trend of the economy". ERP initially brought improved availability of food and commodities into the shops but at prices beyond the reach of most consumers.

In 1984 the Infant Mortality Rate in Mozambique was estimated to be 200 per thousand, the highest in the world. By the end of 1987 824 health units, or 31% of the total primary health care network, had been destroyed or closed. In 1986 46% of pregnant women attended antenatal clinics, 30% of deliveries were in health centres and 16% of children attended under 5 clinics. Despite this devastation the health budget fell under ERP from 12% to 3% of the state budget. Charges for hospitalisation were increased, charges for drugs introduced and privatisation promoted. Public expenditure cuts have meant that the development of clean water is increasingly dependent on aid, making its sustainablility uncertain.

In education a similar situation resulted from the war: 400 teachers were murdered, mutilated or kidnapped after 1980, 2,269 primary schools were destroyed or forced to close leaving half a million children without schooling. This destruction was also a major set-back to the achievement of women's equality. Girls had been entering primary and secondary schools in significant numbers and women were participating actively in literacy classes, despite pressure from their jobs and opposition from husbands. But the ERP package included privatisation of the production of school materials and the charging of economic costs for them and monthly charges for schooling which exceeded the minimum wage level. These have certainly affected the enrollment of girls and women.

In 1991 Zimbabwe accepted ESAP as the IMF and World Bank programme for recovery. It contained the usual features of school and hos-

pital charges (See Chikore). There was also a safety net intended for vulnerable groups known as the Social Dimension of Adjustment (SDA) programme. But the fund is small and people complain that waivers in health and education charges and loans for those affected by redundancies or drought are well-nigh impossible to obtain. Health statistics show that the infant mortality rate which fell from 120-140 per 1000 in 1980 to 76 per 1000 in 1985 is rising again. The maternal mortality rate which fell from 200 per 100,000 in the late 70s to 101 in 1989 is now up to 242.

Main source: RAYAH FELDMAN, REPORT ON THE IMPACT OF STRUCTURAL ADJUSTMENT ON WOMEN IN ZAMBIA, TANZANIA AND MOZAMBIQUE. War on Want 1989

THE EDUCATION CRISIS IN AFRICA

BY BEN TUROK

THE World Bank has deployed impressive professional expertise in generating educational policy for Africa. It is unfortunate therefore that this policy has been forced to fit into the general pattern of Bank policy which has effectively undermined its positive content. Educational considerations have been subordinated to macro economic objectives with regrettable results.

In the major report "EDUCATION IN SUB-SAHARAN AFRICA: Policies for Adjustment, Revitalisation and Expansion" (1988), the issues of education and population control are constantly brought together in the most obnoxious way. It is well understood that educated people have fewer children, but to press for the extension of educational provision for this reason is pernicious and much resented by Africans. Factors influencing population trends are far more complicated. In any case there is a long time lag between the acquisition of education and the condition of smaller families so the policy is unworkable on pragmatic grounds as well.

Worse, the World Bank's educational policy is driven by the macro economic considerations which now govern all policy for Africa. These include reduced government expenditure on social provision, cost recovery, privatisation and reliance on market forces. These principles are now wreaking havoc with Africa's social services of all kinds and are being pursued under the general umbrella of Structural Adjustment Programmes which have been imposed on practically every African government. Governments which resist are denied credits by the International Monetary Fund and by extension by other institutions such as the European Economic Community and in some cases even private banks.

FOOTNOTE: *Background paper written in 1990s.*

The report quoted above aims to establish guide-lines for "World Bank lending to Sub-Saharan education over the next several years. It should also serve to provide a common ground for other donors as well." (p. vi)

The report sets out some laudable perspectives. "Without education, development will not occur. Only an educated people can command the skills necessary for sustainable economic growth and for a better quality of life." It also argues that providing education is better than transferring income directly, a sentiment wholly acceptable to educators who know how transient income adjustments can be and how tax concessions to the poor may be easily lost, while education is an investment for life which cannot be taken away. On the basis of this argument alone we could reasonably expect a positive report which would lead to the serious expansion of educational provision by government and external funders alike. But this is not to be. Expansion across the board is not World Bank policy nor is the Bank very positive about Africa's education system.

True, recognition is given to the "remarkable progress" made in Africa after independence. Between 1960-1983 the number of students enrolled quintupled to the impressive figure of 63 million.

In tertiary education the expansion was even more impressive rising from 21,000 students in 1960 to 473,000 in 1983, with a total of 70,000 graduates. The only disappointing aspect was that there were also 100,000 Africans studying abroad.

This rapid expansion of provision naturally brought problems in its wake. The Bank believes that there is now an abundance of institutions, and that they produce graduates of "low quality and dubious relevance". (p5). There has also been an escalation of costs, which is one of the Bank's main preoccupations. It is worth noting in passing that India also followed the path of rapid educational expansion after independence and it has to be acknowledged that there was a decline in standards in many cases. On the other hand, India now has a large industrial sector which is staffed by Indians not expatriates. India is now also a major exporter of professionals and technicians. It is just conceivable that a government determined to expand educational provision might nevertheless be able to give serious

attention to standards, thereby laying the best possible basis for the country's development.

The Report sets out four main objectives:

1. To improve quality
2. To increase efficiency
3. To move to smaller enrolments where necessary
4. To relieve the public burden of educational costs

Furthermore the Bank intends to bias its future funding to those who show greater susceptibility to Bank policy preferences. This is a polite way of saying that the piper calls the tune and Africa's educational priorities should be determined by the Bank. This increased propensity to exercise greater leverage lies in the growing weakness of Africa's economies. Early increases in investment came to a halt around 1980, since when spending has declined steadily. The median African country's budget allocation to education was 17.6% in 1970 and 15.3% in 1983. This was largely due to substantial downturn in economies across the continent arising from factors like unfavourable terms of trade, falling foreign aid, adverse tendencies in macro economic performance, especially rising external debt and the commencement of direct pressure by the International Monetary Fund and the World Bank. The result was that only $ 0.60 was spent per pupil on educational materials.

The squeeze on expenditure has indeed brought about a crisis in education. Schools are run down, books are shared on a wholly unacceptable scale, classes are far too large and standards have declined. At university level conditions are quite intolerable. Buildings are in dreadful disrepair, windows remain broken for years, walls unpainted, furniture in bad condition. Worse still, libraries have ceased buying books and particularly journals. Students trying to write essays are woefully short of reference material leading to theft of scarce books. In one library an expensive collection of legal books on case law was so mutilated by students who removed chapters that the collection became worthless. Lecturers have sometimes resorted to multiple photocopying and placing articles on reserve, but even these disappear and such materials are in any case sorely limited, especially where photocopying facilities are also a scarce

resource. One cannot but wonder how it is that all the funding agencies in the world who find money for myriads of bizarre projects are so unfeeling about Africa's book needs.

There seems to be no understanding that while a weakened industry can be refurbished easily by installing new machinery and new investment, lost intellectual capacity cannot be replaced. It is clear that a whole generation of African students have undergone a deprived educational experience which will never be made up. Individuals may succeed in catching up here and there, but the continent's intellectual capital has been sorely depleted by a decade of neglect.

Yet the World Bank complains about the over-production of graduates in Africa and suggests that graduate unemployment is now at the level of 50-70%. The concept of graduate unemployment is surely controversial in a continent so starved of skilled human resources. If Britain can adjust its job descriptions to match steadily rising educational levels how much more necessary is this in Africa?

The notion of graduate unemployment is even more bizarre considering that there are now 100,000 expatriates (certainly most with higher education) working in Africa, more than at independence. How on earth is Africa to reach sustainable development if it continues to be dependent on expatriates?

The reality is that the macro economic targets of structural adjustment programmes are deeply corrosive of Africa's own development. It has led to cutbacks in government spending in every direction so that a country like Ghana has had job losses of 60,000 in the public sector alone. As the report itself notes "structural adjustment programmes in the short run exacerbate graduate unemployment". (p71) But how long is the short run? Many Africans argue that its end is not in sight and is indeed in doubt given the appalling record of these programmes across the continent.

LONG TERM PERSPECTIVE STUDY

That the general approach in the Education Report was no passing phase becomes clear from the even more extensive report, "SUB-SAHARAN

AFRICA: FROM CRISIS TO SUSTAINABLE GROWTH — A Long-Term Perspective Study", produced in November 1989, which has since become the most quoted document guiding World Bank policy. This report also insists that Africa needs "institutions of higher learning able to produce, at an affordable and sustainable cost, well-trained people in academic and professional disciplines ..." (p 81). But these declarations of faith are soon shown to be unrealisable in the given context. We are told that "the quality of higher education is low and possibly declining". The reasons given are poor primary and secondary education and shrinking non-salary inputs (plant and equipment) "on which only 2 per cent of total recurrent expenditure on tertiary education is being spent." (ibid)

Yet on the very next page the report argues that to meet the crisis in education, radical measures are needed to improve quality, reduce costs per student, constrain output "in fields that do not support economic development" and relieve the burden on public finance.

These propositions appear to be contradictory and reinforce the impression that the Bank staff has yet to come to grips with the implications of their reports and arrive at a defensible position, not only on their own adjustment terms but also on educational grounds. We can now try to put together what these proposals amount to.

THE WORLD BANK SOLUTION

In line with the general philosophy of the IMF and World Bank the solutions offered are based on "liberalisation, privatisation, and the free market". In practical terms it means cost recovery for social services. We now find that across Africa poor people are paying for health services, education and the like. The World Bank is insisting that parents contribute to school and university costs and the effect is the rapid polarisation of society into those who can afford education and those who cannot.

This undermines the vital principle adopted by all African governments at independence that education should be based on merit alone. My experience at the University of Zambia was that student intake was impressively broad, bringing in entrants from the most remote rural communities as

well as from urban slums. Fee paying will end that system and class-based selection is already on the way.

The Bank also urges the increase of private provision and we shall soon see the emergence of a large number of private schools and colleges where education is provided for profit.

It also proposes that parents be made more responsible for the costs of food, lodging and other expenses, while students be required to take on tasks now performed by non-teaching staff such as custodial care of teaching facilities, "upkeep of the grounds, clerical and secretarial assistance and other administrative support" (p 95). In principle such participative activities by students are unobjectionable and may even help reduce tendencies to elitism, but students who are hard pressed academically to maintain the standards which the Bank itself complains about may find these additional tasks a serious impediment to learning.

The crisis in African education draws attention to the inadequacies of aid policies over the years. The report highlights the unbalanced character of aid to the point of incredulity. Of direct educational aid only 11% goes to local operational costs: local salaries, consumables and instruction materials. A further 17% goes to fund students abroad, while 44% funds foreign experts. In the case of French aid, 80% goes to fund French teachers in Africa thus constituting a major provision of employment for French nationals, though in the name of supporting Africa's education.

The figures are immensely disturbing. If Africa is to be assisted to sustainable educational development, surely the greatest proportion of aid should go to local costs such as teachers' salaries, consumables and teaching materials? Surely far more should be directed to students studying in Africa than to those abroad? And should not expatriate staff be kept to a minimum? What has Bank policy been in this respect? There is no suggestion in this report, or any other, that funders like the Bank intend supporting an organic growth process whereby Africa can develop its own intellectual capital so that it is sustainable and increasingly self-replenishing and expanding.

THE AFRICAN CAPACITY BUILDING INITIATIVE (ACBI)

The report laments that the "many different approaches taken to development in Sub-Saharan Africa ... have all failed to support on a sustainable basis one essential dimension: indigenous African capacities — skills, knowledge, institutions." (p. iii)

This is perhaps the most damning comment on the Bank itself since it is the premier development agency in the world. But the Bank proposes to confront this dearth of capacity in economic policy analysis and development management head on.

Their solution, however, seems highly problematic. Following the recommendation of a major study prepared by the Bank on behalf of a group representing the World Bank, the African Development Bank and the United Nations Development Programme they are setting up an African Capacity Building Initiative (ACBI).

There will be an Executive Board consisting of 11 members of whom four are from OECD countries, four from African countries, and three from the sponsoring agencies. In this way the project will be seen as a "partnership" by Sub-Saharan Africa and the international donor community. Of course the bulk of the funds will come from the latter and particularly the World Bank!

The ACBI will undertake the following:

- The rehabilitation and improvement of selected national institutions (e.g. economics departments in universities)
- Building small regional institutions for policy analysis and development management
- Creation of government policy units in the Office of the President etc.
- Provision of fellowships
- Expansion of in-service training
- Strengthening local consultancy firms etc.

Thus a wholly new infrastructure is to be built at the World Bank's initiative, biased by its philosophies of structural adjustment, all because

Africa's indigenous intellectual capital and capacities have been sorely undermined. Having failed to provide for and sustain the "remarkable achievement" of post independence growth in educational provision, Africa is about to be taken over by yet another foreign dominated enterprise.

If education is essential for development, as the Bank says, it also needs to be emphasised that education, like development, cannot be imported. Sustainable development and sustainable education must be organic and indigenous and cannot be imposed.

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PART IV: ▼

SURVIVING IN A HOSTILE WORLD ORDER

PREY OF THE DEBT-MONGERS

BY BEN TUROK

SOUTH Africans are frequently told that they are overcoming their isolation and rejoining the world community. Well and good. But what kind of world are they re-entering? And what can they expect when they finally do so?

In the 1970's, the then German Chancellor Willy Brandt launched an important report which argued that we live in an interdependent world and that north and south were closely linked. But the nature of this connection was not fully spelt out and remained a matter of controversy. Now that the East-West conflict has ebbed away, the focus is on North-South relations and the picture that emerges is not a happy one.

The most salient feature is that the G7 group of industrial countries in the North now have a totally dominant position in the world economic order at the cost of Southern subordination. Despite protestations about the flow of "aid" and talk about "poverty alleviation", the bare fact is that Third World debtors are paying their northern creditors an average of R80 billion more than they receive in lending each year.

The reason for this is the preponderant self interest of the North at the cost of the South. In the 1970's commercial banks, The International Monetary Fund and The World Bank induced southern governments to borrow freely, leading to a rapid build-up of debt. Soon the scale of this misfortune became evident as interest was added to capital, bringing severe repayment problems.

FOOTNOTE: *Published in the Saturday Star, August 15, 1992.*

The scale of the debt came to pose a near-fatal threat to the survival of US banks and the international banking system. The IMF and World Bank stepped in and took control of the whole debt crisis, to the point where they are now in charge of over half the Third World's official debt.

But why should this debt "overhang" have been allowed to occur? Many economists argue this was because Third World governments were induced to borrow to increase their spending on foreign imports — in other words to open up their economies to foreign investment which had previously been closed to them. IMF and World Bank advice was central to this and these institutions continue to advocate debt-building policies.

The heart of the present problem is that inward flows are being diverted to servicing obligations to the point where the situation gets totally out of hand. In the years 1982-90 total payments of interest and capital by the South were a staggering R3 725 billion. During the same period there was a flow of finance from North to South to the tune of R2 567 billion, leaving a net reverse flow to the North of R1 158 billion.

Because of the debt build up due to accumulated arrears the debtor countries as a whole were 61 percent worse off in 1990 than in 1982. Sub Saharan debt increased by 113 percent during this period, and Africa paid back R500 billion between 1983-90, the worst period economically in recent history. It is now repaying, in debt-servicing alone, far more than was originally owed.

Most damning is the record of the IMF. There has been a net transfer from Africa to the IMF of R12,7 billion between 1983-90, the very time that many African countries were under "structural adjustment programmes" imposed by the IMF, which were supposed to lead to recovery.

This should ring alarm bells for South Africa's entry into world money markets, and in particular into relations with the IMF and the World Bank. These organisations have already sent many teams into South Africa and they have been in contact with many officials, non-governmental organisations and movements.

These contacts are private and no IMF officials will speak to the press. Reports have been drawn up, which are not generally available, in which advice on "post-apartheid" economic policies is freely given. More worrying is the clear anxiousness of both these bodies to prescribe a structural adjustment programme for South Africa which must inevitably resemble that imposed on other Third World countries, and now, Eastern Europe.

Borrowing from the North might have been useful to the South if international conditions had been more favourable. The problem arose because, as repayments fell due, so the capacity to repay declined, partly due to increased interest rates, partly because of falling revenues from exports.

No wonder that the collective gross national product for Africa fell from R1 000 billion in 1980 to R700 billion in 1990. Per capita incomes have fallen by 2.2 percent annually over the decade, making a total decline of 30 percent. There are now 335 million people living in absolute poverty in countries where health and education expenditures have been slashed.

Since South Africa remains an exporter of mainly primary commodities, the dangers of getting into debt at a time of instability on world commodity markets are obvious. Ought it not learn the lessons from other Third World countries? Or does South Africa think it is already part of the First World?

The dangers are particularly severe because of the world recession. The recent G7 summit of heads of state in Munich drew attention to the global economic situation, and especially to the unemployment crisis in the North. Their communique argued that growth in the North would help other countries too.

To this end they favour the signing of an agreement which "must create more open markets for goods and services". Since protectionism remains rampant in the North, they are presumably talking about opening up the South, so one sees that the old policies remain in place.

The North will lend to the South to provide finance for imports from the North, thereby creating jobs in Europe and the US. These loans, not gifts, will once again incur debt-servicing and so the problems are compounded.

The G7 also argued for increased competition globally, a formula that guarantees that the strong North will easily outclass the underdeveloped South. Without undue cynicism, one is bound to conclude that the G7 are now managing the world economic order to serve their own interests without hindrance. The former East Bloc was once an obstacle to G7 domination, and the Non-Alignment Movement was also a forum for Third World resistance. These have gone and we are left with the cries of anguish coming from the Third World poor and some subdued complaints from their governments.

This is the global system awaiting South Africa. Why are some of its leaders in and outside government so careless about the terms on which it gets involved?

LIVING WITH THE TIGER: Debt and development in Africa

BY BEN TUROK

> "Heavy borrowing by some Western countries to support development have reached the point where annual repayments of interest and amortization absorb a large share of foreign exchange earnings ... Many of the countries are, in effect, having to make new loans to get the foreign exchange to pay interest and amortization on old loans, and at higher interest rates."
>
> **NELSON ROCKEFELLER (1960)**

IT is only just over ten years ago that Willy Brandt launched his high profile report which stressed the "interdependence" of the world. His simplistic analysis made a major impact, but cooler heads were sceptical of the kind of interdependence he was urging. It was quite clear that it was no different from what the G7 is now demanding, a world economic order which sustains Northern dominance and Southern subordination.

The record of the last decade is littered with the debris of fine declarations and rapacious wealth extraction from those who can least afford to pay. Cheryl Payer tells us that every year Third World debtors are paying their creditors an average of $30 billion more than they receive in new lending. This statistic wipes out all the declarations of good intentions on the part of the G7 governments and their institutions.

FOOTNOTE: *Paper delivered at THE OTHER ECONOMIC SUMMIT (TOES), July 6-8, 1992, Munich, Germany.*

Payer argues that self interest and not good intentions have been predominant throughout. Third World governments have been induced to increase spending and heighten borrowing to pay for foreign imports even though steadily building up a repayment problem. The central thrust of Western policy, and that of the IMF and World Bank, has been to open up closed economies to imports from Western creditors and to increase foreign investment. She says, "In the name of 'the need for foreign capital' most of the countries of the Third World have been conned into loan contracts which are now draining foreign exchange out of their countries". (Payer 1991:105)

Furthermore, she shows that in four case studies — Tanzania, Jamaica, India and Sri Lanka — IMF and World Bank advice to borrow commercially preceded and caused or contributed heavily to subsequent debt crises or problems (p81).

If her arguments are valid then the debt crisis debate needs to be refocussed from examining how we can press for debt relief to how we can pressure the G7 and their related institutions to cease solving Northern export problems on the back of Third World debt.

We also have to expose Third World governments who "get used to living with the tiger" as a Tanzanian minister refers to the IMF. It seems hard for them to resist the temptation to borrow continually in an ever worsening cycle of dependency especially as the Fund and the Bank use "special introductory offers" to lure victims into dependency.

We see this system already operating in South Africa where team after team of Fund and Bank operatives enter the country unheralded, engage in private meetings with representatives of government, business, democratic movements and NGO's, trying to persuade them that foreign loans are vital for post-apartheid adjustment. They now have an "insider" in the Governor of the South African Reserve Bank who recently called for a Structural Adjustment Programme with the support of the IMF because "liberalisation would bring growth and balance of payments deficits making IMF loans necessary".

THE FACTS

Why the continuing angst about Third World debt? The reason is that far from diminishing, what Percy Mistry calls the "Debt Cancer" is rampant.

Every month in the last nine years, Southern debtors remitted to Northern creditors $12.4 billion in interest and capital. Total payments of interest in the nine years 1982-90 was $706 billion, while total payments of capital and interest was $1.3 trillion. (George 1992:xiv).

During the same period there was a North to South flow of $927 billion, leaving a difference of $418 billion in favour of the North. This represents unprecedented financial assistance from the poor to the rich.

Furthermore, the debtor countries as a whole began the 1990s 61% more in debt than they were in 1982. Sub-Saharan debt increased by 113% during this period. (George 1992: vvi). Africa paid back $180 billion between 1983-90 or $22.6 billion each year. And the end is not in sight because cumulative debt service exceeds by $40 billion the total outstanding 1982 debt of Africa. So Africa is repaying in servicing far more than was originally owed! Even a petty commercial money lender would call this extortion and most of it ($170 billion) is official debt to governments and institutions.

Another way of looking at it is that there is a steadily increasing export of real resources from Africa by way of debt service as follows: 1980 — 3%, 1989 — 6%, 1990 — 8% (projected).

Even more damning is the record of the IMF. There have been large net transfers from Africa to the Fund throughout the 1983-90 period. Mistry says "While the Fund is exerting considerable influence over Africa's economic policies, it has been extracting resources at an unconscionable rate — Africa actually pays heavily for that privilege!" The net transfer from Africa to the Fund was $4.6 billion between 1983-90. Between 1986-90, some of the most disastrous years for the region, the IMF extracted $3.0 billion from low income countries in Sub-Saharan Africa. (Mistry 1991:43)

Thus what is presented as emergency lending designed to correct external account imbalances inevitably produces a net transfer, so that the legitimacy of the Fund's role must be called into question. Especially as Mistry holds that Africa was not suffering from a liquidity crisis but from a deeply rooted structural crisis. But this is a matter of indifference to the Fund which is more interested in putting its own debt collection interests ahead of the country's needs. As a result inward flows are being diverted to service obligations and little is left to pay for essential imports and minimal consumption needs.

The situation is worsening even though there has now set in a syndrome of endless defaulting and rescheduling so that actual payments of principal and interest were 37% of scheduled debt service. Even then payments accounted for 8% of GNP and 28% of export earnings in 1990.

In the light of this rapacious looting of the continent by Northern governments and institutions, abetted by Southern governments caught in the trap of dependency, is it surprising that the collective GNP for Africa has fallen from $200 billion in 1980 to $140 billion in 1990? And per capita incomes have fallen by 2.2% annually over the decade making a total decline of 30%. While 335 million people (52% of the total) now live in absolute poverty and 300,000 Third World children have died as a direct result of the debt crisis. (George 1992: 169).

How would the US respond to such a catastrophe? How many Northern Governments could withstand such a record? Would Europe and North America be quite so stable politically in such circumstances?

THE EFFECTS OF INTERNATIONAL LOOTING

African Recovery (June 1989) states that the "debt overhang" is a major factor in Africa's fall in per capita income and consumption. It has reduced the amount of foreign exchange available to purchase imports leading to import strangulation which deprives industry and agriculture of essential inputs, holds back investment and export growth and reduces consumption.

Depressed export earnings and import capacities reduce government revenues, increase budget deficits and weaken the economy generally. The measures used to maintain debt servicing have worsened provision in health and education and have increased poverty as has been well documented elsewhere.

UNICEF estimated that in the 37 poorest countries, health expenditure was cut by half and education by a quarter in the first half of the 1980s.

PROTECTING NORTHERN INTERESTS

There are clearly both economic and political explanations for Northern behaviour on the debt issue. Most analysts see the early 1980's as a critical moment in the world economy as the North realised that Third World debt could pose a serious threat to the international banking system as US banks faced the prospect of collapse if debtors didn't pay. (Payer 1991 :9). This would explain the increased pressure for debt recovery thereafter.

But the pressure has continued even after the alarm abated. Presently continuing extractions of finance go hand in hand with the cessation of normal trade credits and less assistance generally. There are also imposed premiums on imports into Africa which is, for example, paying something like 35% more. At the same time the North is practicing protectionism for agricultural goods and low technology manufactures.

This, coupled with the huge deterioration in commodity prices in Northern markets, has led to a fall of 30% in Africa's terms of trade in the last decade. This means that there is a massive scissors effect on Africa's economies. Bade Onimode holds that prices of African exports go down 20% annually while import prices rise about 9%. In 1986 alone, Africa lost $19 billion from falling export prices which is more than the aid received. (United Nations Focus 1990). Furthermore, lower export revenues go together with ever larger external payment requirements. The formula could hardly be worse.

Illusions about the legitimacy of the operations of the IMF must now be scotched by the revelations by Mistry that "a considerable amount of the

new money provided by the multilaterals to Africa between 1982-90 has gone into financing debt service payments to private creditors, and between 1986-90 to the IMF." (Mistry 1991: 20). This justifies all the allegations made by people like Cheryl Payer and Susan George that the IMF is primarily a debt collection institution for Northern interests (with commercial banks a priority) and not an institution for safeguarding the world economy as a whole and particularly not that of the South. Some believe that the World Bank should not be tarred by the same brush but the coordination of policy between the two and the acceptance of the primacy of IMF conditionalities by the Bank means that they are in reality inseparable.

Susan George has also shown just how substantial has been the transfer of Third World liabilities from commercial banks to the public domain. More than half of the Third World debt is now held by the World Bank, the IMF and other official lenders. Nowadays the commercial banks continue to receive interest payments while official creditors allow debtors to postpone interest payments.

Compelling explanations for the oppressive official policies of the North are given by Cheryl Payer in her new book "Lent and Lost" (Zed Books 1991). Payer stresses that a principal factor in Northern strategy is that Southern exports should not result in a loss of markets and competition in the North. This vital element explains why the North practices protectionism while extolling open markets, why its agencies urge on the South exports of primary products and not manufactures, and why IMF Structural Adjustment Programmes have not strengthened industrial capacity anywhere. Instead it has brought stagnation in internal investment and savings and undermined efforts aimed at getting on a growth and development path as its numerous critics have shown.

The purpose of Northern lending and aid is not to stimulate the capacity to produce but to pay for Northern imports thereby providing back-up to those Northern countries which have become dependent on running an export surplus to the Third World. Paul Goodisan reported that the European Council of Ministers proposed a special facility above and beyond Lome "to provide foreign exchange for general import pro-

grammes" in support of macro-economic reforms designed to restore balance to the external account.

Lending and aid is also a bribe to Southern governments to ensure compliant behaviour and to resist policies which might lessen dependency. Payer argues that it is a myth that a constant flow of large amounts of foreign capital is necessary; on the contrary, it inevitably leads to a cumulative debt burden while grants are generally tied to costly imports of specialised inputs or spare parts obtainable only from the donor.

There is no question that the G7 and the related institutions are well aware of the hardship caused by Northern policies and practices. So why do they persist with their oppressive policies?

Payer and many others argue that they do so because they fear that debt reduction or cancellation will set dangerous precedents because it would seem to reward those who pursue "bad policies", or, as is often claimed, they are "tired of giving to those who have wasted so much".

THE PARIS CLUB

One of the most important fora in the debt game is the Paris Club, which is not a Club at all, but an informal grouping of government representatives, mainly from OECD creditor governments, who renegotiate debts to official bilateral creditors. But they only consider rescheduling or any other kind of debt relief once the debtor is seen to be on the verge of default. In this situation it is possible to exert maximum political pressure on the victim such as acceptance of an IMF structural adjustment programme (SAP).

The Paris Club has been the principal agency for debt relief for low-income African countries with large "official" debts for whom they provide a rescheduling scheme with payments 12-18 months apart. The intention is clearly to keep the debtors under pressure, especially to ensure compliance with IMF conditionalities. Since countries are falling increasingly into debt, they are now rescheduling already rescheduled debt, sometimes repeatedly, thus building an ever increasing debt mountain.

The Ghana High Commissioner to the UK said that "Paris Club treatment has dramatically increased the outstanding debt as well as the interest cost of that debt to African countries". (House of Commons 6.12.88)

Furthermore the Paris Club works on the principle of "burden sharing" which ensures that individual members are discouraged from taking unilateral action to relieve their own debtors. But the Club has not been the only actor in the field of debt.

THE BAKER PLAN

Payer argues that the debt crisis goes back quite a long way and originates in the commodity price boom of 1972-3, long before the OPEC bubble. Governments and institutions like the World Bank encouraged stupendous sums of private capital to become available through private banks for Third World loans and at very good rates of return. Funds were pressed on Southern governments which then spent them on imports from the North. The lending banks felt secure since they believed that Northern governments, especially the United States, would back them if there were repayment difficulties.

But by 1982 it became clear that debts had built up in a way that threatened not only Southern governments but also Northern banks despite the creation of an informal debtors cartel which included the IMF. With the IMF and World Bank (which introduced Structural Adjustment Loans in 1980) losing credibility as managers of the world economy, James Baker, US Treasury Secretary introduced the Baker Plan based on the following principles :

1. the adoption by debtor countries of policies to promote growth and balance of payments adjustments

2. a major role for the IMF and SAP lending in support of market oriented policies for growth

3. increased lending by private banks

This Plan was meant to encourage new lending of large funds by the World Bank and commercial banks to the fifteen most heavily indebted nations. For the low income countries it proposed a World Bank-IMF lending pool which would involve enforced conditionality. But it was mainly a public relations exercise, since the fifteen countries which were designated as beneficiaries faced an interest bill four times as much over the same period as the loans. The low income fund ·vas also sorely underfunded. Hence the much vaunted Plan faded into the background.

THE G7 IN VENICE

The debt mountain continued to grow constituting an acute embarrassment, especially when it became evident that there were continuing net transfer flows from South to North. The G7 meeting in Venice in June 1987 therefore proposed that lower interest rates should be set for existing debt and longer repayment periods for low-income African countries to "ease the debt burden". The Paris Club responded with longer repayment periods for some debtors but not with better interest rates. No major relief ensued as a result.

THE TORONTO SUMMIT

Then followed the Toronto Summit of the G7 in June 1988 which agreed a new departure from Paris Club rules in that an "option" would permit rescheduling of nonconcessional bilateral loans at concessional interest rates (Mistry 1989). Also under the "option" low income debtors could

1. cancel one-third of the debt service and reschedule the rest
2. reschedule debt service at market rates over 25 years with 14 years grace
3. reschedule debt servicing over 14 years with 8 years grace at half the market rate

Much fuss was made of these "concessions" but the outcome was minimal relief. World Bank estimates were that they would reduce 1988-90 debt service obligations by less than 5% compared with other rescheduling

practices. Others estimated that total relief for low income Africa would be $35 million a year.

Mistry reports that between 1982 and 1989 there were 118 reschedulings agreed between OECD creditors and 53 developing countries under the Paris Club system. Rescheduling inevitably led to a ballooning effect to the tune of $10 billion for Sub-Saharan Africa. He shows that though debt service doubled, debt build up has been massive due to interest capitalization and rescheduling. In 1988 alone, bilateral creditors capitalized $2 billion in interest arrears.

THE BRADY PLAN

In March 1989 the US Treasury Secretary launched a new plan to manage the debt crisis by negotiations between debtors and commercial banks supposed to lead to "debt reduction". Banks would be encouraged to change existing loans into arrangements which would be worth less or pay lower interest. These would be guaranteed by the IMF and World Bank thus ensuring that the lower level loans would be repaid as well as the interest (Denham). Curiously the British, German and Dutch governments complained that it was wrong to use public money to provide guarantees for public sector debts.

The arrangement tied debtors and the commercial banks to the IMF and World Bank as compliance with SAP was essential. The banks might also be required to make additional loans thus reinforcing dependency. The suggestion was that there would be a 20% debt reduction for 38 debtor countries over three years which was not very substantial.

TRINIDAD AND JOHN MAJOR

Perhaps for internal political reasons and because of Commonwealth pressure, British politicians have often sought a somewhat better profile than other Northern governments. Lawson tried hard to acquire an amiable image on Third World issues and so has Major.

Addressing the problems of low-income severely debt distressed countries the following has been proposed:

- a single rescheduling of the entire debt stock
- cancelation of debt by two thirds
- capitalizing interest of the remaining third of debt
- extending repayment of the last third substantially (Mistry)

This proposal was discussed at length at the Paris Club and then at the 1991 G7 Economic Summit in London. Surprisingly it was opposed by the US and so frozen despite European willingness to accept some more generous proposals for certain US-favoured middle-income debtors. This attitude showed up the political basis of debt relief proposals.

The Trinidad Terms deal with only one quarter of the total debt service problems of low income Sub-Saharan Africa and full implementation of the Trinidad Terms would cancel less than 1.5% of Third World debt. But even this was unacceptable to the US. It would cost the US $3 billion at the most to implement the Trinidad Terms as a whole.

In the face of the US refusal, the UK announced in October 1991, significantly at a Commonwealth Heads of Government meeting, that the UK would proceed unilaterally with 20 severely indebted low-income countries.

One cannot but marvel at the mean spirited character of these powerful governments in their dealings with poverty stricken countries, brought down to their present levels by the greed and self interest in the North.

JAN PRONK'S PROPOSALS

Much more effective than all the previous proposals and simpler to implement since it would presumably omit all the gerrymandering and bureaucratic school master behaviour at the Paris Club, Pronk proposed in Paris in September 1990 that all creditor countries collectively cancel all official bilateral debt to severely debt-distressed countries. (Though there was a rider about pursuing "acceptable" reform programmes). This would lead to cancelling $40 billion debt and save $1.5 billion on actual payments.

However even these helpful proposals would not save Africa from its present trauma. Indeed, according to people like Susan George and Cheryl Payer, the issues are being posed quite wrongly in most of these debates and more fundamental positions are required. "The creditors have been richly rewarded ... The debt has already been largely or entirely paid. The North is, in fact, substantially in debt to the South since it has received, since 1982, the cheapest raw materials on record and the equivalent of the value of six Marshall Plans, net, from the indebted countries." (George 1992:171). The implications from this perspective must be to change the terms of the argument fundamentally.

But what of the victims themselves?

There has been much research about the overwhelming effect of the debt crisis on women. This paper has not dealt with this aspect but it should not ever be absent from our concerns. I have also not dealt with the environment though Susan George's latest book shows a direct correlation between debt and environmental devastation.

Nor have I dealt in any depth with the impact of debt on development; rather, it has been the underlying concern throughout. Clearly, the development agenda of the Third World has been wholly derailed by the pressures of day-to-day decision making to cover debt repayments and policy making which aims more to finance debt in foreign currency than with long term perspectives on development.

Nevertheless the UN Economic Commission for Africa, which does not have a debt problem, has been able to stand back from immediate issues and generate ideas about long term development which have been fed into the OAU and other bodies.

THE POSITION OF THE ORGANIZATION OF AFRICAN UNITY

In December 1987 the Heads of State meeting at the OAU complained about the magnitude of the debt which threatened the foundations of their

economies and was a "glaring manifestation of the imbalances in international monetary and financial relations". Despite various recovery programmes they declared that Africa was still not in a position to honour outstanding debts because Africa faced a solvency not a liquidity crisis.

Crucially, all appeals for a joint meeting between debtors and creditors to discuss these matters have not been heeded. It is now clear that the G7 and Paris Club continue to meet as a bosses union of the North, taking to task Southern victims individually. So much for the much vaunted "international cooperation and interdependence" of the global system. Instead of joint measures to alleviate poverty in Africa, the OAU noted the "hardening of terms and conditions on new loans, the rise in average interest rates on new lending from 5% to 10% between 1974 to 1985 while the grant element dropped from 32% to 16% over the same period.

Since the 1987 meeting the OAU has continued to raise these issues without success. It has however begun to look at alternative policies such as the Economic Commission for Africa's African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP) and the creation of an African Common Market.

THE FUTURE

Africa has been a playground for experimentation with economic schemes which have failed. Some believe that these schemes such as import substitution were well intentioned; others that the relations of North and South are governed by structural disequilibria which are well understood and intentionally exploitative.

Given the evidence it is apparent that low commodity prices and high interest rates are not merely a function of blind market forces but of policy decisions taken at G7 meetings and by the other international fora linked to the G7 which are primarily concerned with the good health of Northern economic interests no matter the effect on the peoples of the South. Payer argues very convincingly that lending is not meant to work efficiently since proper repayments would be at the expense of imports from Northern industries.

To the extent that debt relief is under discussion it is generally considered as a phased operation to ensure compliance with IMF structural adjustment programmes despite the overwhelming evidence that these do not work. Indeed many feel that this is not the concern of the IMF or the World Bank, but "The IMF and the World Bank, acting on behalf of the creditor countries which are their major stockholders, have a simple task ... to make sure the debt is serviced (through) the accumulation of enough hard currency to ensure levels of payments like those cited." (George 1992:xiv). Payer believes that the IMF has played a crucial role in Paris Club negotiations, and has a major responsibility for the debt build up in the first place.

We are therefore faced with only a few policy options. Endless calculations about which minor reform will help are futile. Also of no avail are the measures discussed at the endless meetings of top people who are highly paid and whose extravagances at international meetings could fund the total development programmes of some quite sizable Third World countries.

Many Northern NGOs have campaigned with admirable energy for debt reduction in one form of another. Many of these campaigns have enabled them to engage with governments and commercial banks and expose their indifference to Third World suffering. It has helped raise public awareness of the seriousness of the issue and of the need for a more humane world order.

But partial palliatives and individual actions can have a very limited effect. Payer argues that any debt relief by individual countries merely means that debtors' available resources are then allocated to payments to the other hard-line creditors. There is no relief for the victim. This is why the OAU has argued for a long time that creditors and debtors should sit down together so that any reductions could be shared across the board. But the G7 and Paris Club will not hear of this since they prefer the schoolmaster approach.

The debt must be repudiated by the Third World because it will not be reduced or cancelled. So many meetings and protests have not persuaded those who will not listen.

We are therefore left with a political problem. Can a momentum for repudiation and solidarity be generated which will create a climate where repudiation will stick? There is no easy answer but the desperate need is self evident.

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CRUMBS FOR AFRICA'S POOR AT THE EARTH SUMMIT

BY MOHAMED SULIMAN AND BEN TUROK

THE AFRICAN POOR LOSE AT THE EARTH SUMMIT

THE people and their environment may have been the stated point of departure of the Earth Summit but it was not the point of arrival. This was because the fundamentalist ideology of free-market environmentalism triumphed over both. This dogma permeated the Summit's Agenda proclaiming that an open international trading system and greater global economic integration will generate economic growth and therefore sustainable development.

This view was dominant at the Summit despite substantial reservations by international experts including some working for conservative international institutions. Herman E. Daly, Senior Economist at the Environment Department of the World Bank, said that the Summit chose to ignore, "that international capital mobility, coupled with free trade products, generally stimulates competition among countries to reduce wage, health, worker safety and environmental standards". (1)

While most now recognise that the present world order is unsustainable, the Summit nevertheless recommends continuing present policies including greater control by the market of natural resources. Yet this must mean that the market will triumph over both people and their environment, the very antithesis of sustainable development, the declared objective of the conference!

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EVADING THE CENTRAL ISSUE

The prevailing global culture of unfettered commodity fetishism and the ideology of unlimited economic growth is leading to excessive pollution of the earth and dangerous resource flows from a finite, closed and non-growing ecosystem.

The main victims of this process are the poor of the Third World who have to cope with a degraded natural environment. The free-marketeers, whether indigenous or international, want to intensify the exploitation of global natural resources, while the dispossessed strive to rescue the natural resource base on which their survival depends.

The problems caused by these unsustainable economic activities is the central issue that the Earth Summit failed to address. This was because it meant questioning the legitimacy of the status quo and its beneficiaries, the elites of the North and South who wield economic and political power everywhere.

The focus of the Earth Summit should have been on the relationship of environmentalism and meeting the basic needs of the people. That is, how to reorient economic production to reduce pollution and control resource extraction while yet addressing the livelihood of the people.

Such a focus would have required the imposition of limits to both pollution and resource extraction in the interests of sustainability. It would also have entailed efforts to address the major macro issues of North-South interaction:

- cancellation of the debt of poor countries
- establishment of fairer terms of trade
- the injustices of the Uruguay Round of GATT and in particular the establishment of a Multilateral Trade Organisation (MTO)
- the failures of the IMF structural adjustment programmes (which are resource-extraction (export) promoters par excellence)
- new roles for all major international institutions such as the United Nations, the World Bank and the IMF, GATT, Global Environmental Facility (GEF), etc.

These are both economic and political issues but the triangular relationship between the people, the economy and the environment makes environmental and political issues inseparable. The Summit chose to ignore this. It was therefore unable to be green because it was unwilling to be political.

NEW GLOBAL MISSIONARIES

The world has long recognised the hypocrisy of Western advocacy of developmentalism. In colonial times horrendous crimes were committed against the peoples of the Third World in the name of civilizing them and introducing "development". As Amilcar Cabral showed, Africa's history was interrupted, leading to stagnation and even reversals. The development of underdevelopment was a universal phenomenon in the past and the processes responsible continue even today.

So how are we to understand the claims by contemporary exponents of developmentalism emanating from institutions like the IMF and World Bank, and the myriads of specialists, officials, consultants and advisors, that they have a formula which is universally capable of bringing development to the Third World? Their message is that irrespective of place, time and culture, market forces and liberalisation will bring the goodies of Western societies, the ultimate of social achievement.

In a critique of the new Western fundamentalism Jeremy Seabrook wrote:

> "What could be more natural than that the access of such spectacular wealth as we have seen should now become the basis for our expansionist, conquering mission in the world? The West can readily discard its archaic holy texts, and rely on the apparently pragmatic revelations of those who have delivered the goods to so many happy people in the Western world. This is how the promise of "development" became a pledge to the rest of the world that they could follow in its footsteps, if only they could do as we bid them."(2)

But underdeveloped countries are still located in a global economic order which brought about their underdevelopment. And, they do not possess the necessary "engines" of Western development, namely capital, technical and scientific know-how, access to markets etc. It is, therefore, inconceivable that they could ever achieve this elusive dream and join the Club of the rich and powerful! It is in the pursuit of such development models that Africa became poorer.

THE POST COLONIAL WORLD ORDER

Marginalization is the concept now generally in use to account for the ever declining fortunes of Africa. A conference in Dakar held on the 16th November 1992 and organised by Dr. Adebayo Adedeji, former head of the UN Economic Commission For Africa (ECA), dwelt at length on the increasing exclusion of Africa from the world economy and from international decision-making.

But marginalization is a very kind word for the neocolonial system imposed on Africa after independence and which has continued since in increasingly sharper form. The rebellions in Africa in the 1950s and 1960s which persuaded the colonial powers to decolonise were replaced by indirect rule and more concerted economic pressure, including through the international agencies. These included the collapse of the terms of trade, the stranglehold of foreign debt and the conditionalities of structural adjustment programmes (SAPs).

The continuation of dependence and poverty meant that African governments abandoned their promises of democracy and resorted to authoritarian rule. Unable to deliver the material improvements they had promised and unable to establish a stable economic base the post colonial order became a nightmare of abandoned dreams and promises. For example, Kaunda developed a rhetoric about Participatory Democracy and even established local government institutions and workers committees in enterprises but these became hollow shells which could not deliver.

MARGINALIZATION AND THE TERMS OF TRADE

Africa's terms of trade fell by 30% during the 1980s. In 1986 Africa lost US $19 billion through falling prices which was more than the total foreign aid. In 1991 many commodities fell further to historical lows in real terms. The prices of half of the 14 commodities, monitored by Africa Recovery, fell further in 1992. Commodity prices, in real terms, are now at virtually half their 1979-1981 levels. (3) Africa lost US $19 billion in export earnings during 1985-1986 alone.

The future of Africa's export performance is problematic. Protectionism is on the increase in the West and many former Soviet Republics are expected to intensify their production of primary commodities such as metals, cotton, sugar, oil, tea etc. and so depress the market even further.

Africa's vulnerability to fluctuating fortunes on the world market becomes apparent when one considers that there is excessive export concentration on one or two commodities which amount for 70-90 per cent of the total export earnings, which in turn accounts for some 80% of total annual government revenue.

The effect of this squeeze on revenue is that the continent is unable to sustain existing levels of living standards and that it is unable to maintain its place in the world economy.

MARGINALIZATION AND FOREIGN DEBT

The deterioration in the terms of trade had an immediate effect on Africa's balance of payments. As deficits built up they resorted to foreign lending with considerable encouragement from foreign lending institutions, official and commercial. No sooner had the lending process taken off when conditions became more unfavourable. Soft concessional lending at low interest rates began to dry up, so that countries were forced to borrow from private sources on increasingly disadvantageous terms. The repayment periods shortened from an average of 15 years to 5 years. The grace period also shortened. As a result it became increasingly difficult to repay or service loans for long-gestation projects, so very important for long-term development planning.

Sharply rising interest rates then compounded these repayment problems. While the average interest rate on external loans was previously 5% in the 1960s, it shot up to anything between 10 and 20% during the 1970s. Worse still, these rates were made to apply even to past loans. With the collapse of export prices, such loans became virtually unrepayable.

Africa's debt stood at US $270 billion in 1990 and it continues to increase. Debt servicing stood at US $27 billion which could not possibly be paid as long as export revenues remained low. De facto defaulting became commonplace although this was disguised by the frequent rescheduling arranged through the Paris Club. Africa is effectively bankrupt.

This situation is reflected in the UN's 1991 New Agenda for the Development for Africa, but the OAU has pleaded that debt repayments swallow most of the "feeble financial resources". But there has yet to emerge a large enough public clamour for such pleas to be taken notice of by the powerful developed countries.

And yet the situation could hardly be worse. In 1982 Africa owed US $140 billion. During 1983-1990 repayments were US $180 billion, yet by 1990 foreign debt stood at US $270 billion. Yet the gross national product for Sub-Saharan Africa in 1990 was only US $140 billion.

The pattern applies to all developing countries. In 1975 the debt was US $170 billion and in 1988 US $1,200 billion despite massive payments in between. The total net transfer from South to North during 1982-1990 was US $300 billion.

MARGINALIZATION AND STRUCTURAL ADJUSTMENT PROGRAMMES (SAPs)

The IMF, the World Bank and their apologists present their so-called adjustment programmes as a set of neutral, technical and therefore entirely objective policies devoid of any significant political and ideological content. This is perhaps the most unpalatable subterfuge in the politics of adjustment. Yet they undoubtedly aim at achieving international hegemony in the realm of ideas and policies hoping to install liberalisation and

free trade as the dominant perspective in all countries. Their task is made easier by the demise of the former socialist block but the harsh realities of life for ordinary people around the world and the evident failures of free market ideology to satisfy the basic needs of the poor, even in the wealthiest of countries, provides a continuing check on this objective.

Concrete structural adjustment programmes in Africa show all the hallmarks of ideological predispositions and African governments have learnt that their policy pronouncements should not discord with them.

Nevertheless organs like the ECA have indicated three major difficulties with SAP:

1. its application means that attempts at fundamental transformation or even any meaningful change have to be frozen
2. they apply within a short term and purely financial framework
3. they damage human resources, infrastructure, health and education (4)

These programmes reinforce rather than overcome the general neglect and mismanagement of Africa's economies through rampant corruption, capital flight, repression, and the rest. The combined effect of structural adjustment and poor governance has led to the further immiseration of Africa.

Yet the agenda of the Earth Summit failed to address this seriously. While Agenda 21 contained references to "enabling the poor to achieve sustainable livelihoods" it did not show how this could be done in the present harsh global economy. Nor did it show how the poor could achieve such objectives given internal inequalities in their countries. (5)

WORLD TRADE AND THE ENVIRONMENT

Many of these concerns are increased by the knowledge that the Uruguay Round of GATT is about to be concluded. The GATT agreement regulates over 80% of all international trade, worth more than US $3500 billion a year and growing at an annual rate of US $500 billion. The declared aim of this round of GATT is the globalization of trade. The free-market

dogma will be extended to cover most commodities, investments, intellectual property such as patents and services such as banking, insurance, transport, media and culture. The transnational corporations will be free to annex markets world-wide. A Multilateral Trade Organisation (MTO) is being established which will be the most powerful economic organisation in the world, overriding national policies everywhere, such as control over natural resources, and probably other international agreements. The binding enforcement powers would damage environmental, safety and consumer interests and its emphasis on trade liberalisation is not balanced by national and international commitments to respect sustainable development. The agreement does not include the environment as one of its guiding principles, but relegates it to the so-called exceptions to the General Agreement. Yet Africa's economic and ecological systems are under great strain. The dependence of the economy on the export of a narrow range of primary commodities imposes a heavy burden on the environment. Implementation of the new GATT will mean more of the same.

The impending economic and climatic changes will enforce and aggravate each other. Liberalization of international trade will storm all barriers, political, economic, ecological or cultural. It must ultimately lead to the "liberation" of production and consumption from social and environmental constraints. The new GATT agreement will constitute a powerful factor in climate warming.

This is not to deny that world trade has positive elements of enrichment and enlightenment. But it must be advanced on a sustainable basis and as bringing benefits to all. We fear that GATT type trade will be unsustainable, that is, it is actively or potentially harmful to the people and their environment. The deregulated, harmonized and liberalized GATT does not take into consideration the social and environmental impact of its new economic world order.

We expect that it will increase pressure on smallholder farmers in favour of large-scale agrobusiness even though the positive lessons of diversity at local level are now well understood. The case for smallholder tree-growing communities is being forgotten and with it the most sustainable land use system in Africa. African peasants and pastoralists lead a precarious existence trying to manage the erratic changes of their microclimates.

The Sahel drought was, until recently, widely believed to be human-made, a result of huge biomass losses. Opinion has, however, swung to the view that global warming might be the key. The new hazardous waste of industrial societies now haunts Africa's dumping grounds like the spectre of droughts and weather extremes.

The environmental movements in developed and developing countries have won many battles for the people and their environment. But they could still lose the war if the new GATT is implemented in its draft form which shows little regard for social, environmental and developmental concerns.

ENVIRONMENT AND RESOURCES IN AFRICA

For countless centuries African people maintained a living balance with their natural environment and the resources on which they depended. Their way of life demanded from them an intimate, organic relation to nature, characterized by a high degree of sensitivity and respect for the working of natural ecosystems, an almost sacred limit to exploitation and a sense of duty to conservation. Controls and taboo-systems functioned as awareness and penal codes of individual and collective green behaviour.

The advent of colonialism, however, upset this harmonious relationship by imposing ever increasing demands on the natural resource base. It introduced large-scale agriculture, usually based on monoculture, requiring massive deforestation and far-reaching tractorization and chemicalization. Intensive mining operations began too as colonialism ushered Africa into the era of resource-intensive "development".

The newly independent African states followed the same road of economic development laid down during the period of direct colonial rule. To bridge the gap between developed and developing countries it was deemed essential to intensify the exploitation of natural resources and concentrate industries and their employees in urban-industrial enclaves. In this process both the natural resources and the capacity of the environment to sustain pollution were tacitly assumed to be limitless.

After independence an African "national bourgeoisie" began to evolve from a primarily mercantile social class now ostensibly free from colonial control. There were, nonetheless, several strong barriers to the independent progress of a middle class, whose European equivalent had brought about the industrial revolution. In Africa they lacked the major prerequisites for large-scale modern industrialization, namely, capital, technical know-how and markets and so the focus of the new African elites shifted from manufacturing production to the extraction of natural resources.

The thoughtless and unscrupulous exploitation of all accessible resources was compounded by the structural crisis of the global market economy since the 1970s. Efforts of the rich countries of the North to overcome the crisis have largely meant passing on its negative impact to the poorer countries in the South, through unfavourable terms of trade, interest payments on foreign debt, and the implications of structural adjustment programmes. Even in 1991, the G7 Summit meeting in Munich gave much emphasis to the solving of unemployment pressures in the North by expanding exports.

This pressure to counter the Northern crisis has in turn been transmitted by the resource-elite in Africa to the people and their natural environment. Unfair terms of trade at the international level are reflected in corresponding unfair terms of trade at the national level. Just as poor developing nations were exporting more and buying less, so the rural peasants and pastoralists were forced to produce more and buy less in the local market.

The massive deterioration in the living conditions of the poor in Africa and in the well-being of their natural environment are mainly due to the two-pronged attack on them by the international and indigenous elites who flourish at their expense.

Yet more than 80 per cent of the African people depend for survival on surrounding nature. There is little technology to mask their intimate relationship. This explains why the cumulative degradation of their basic resources, land, biomass and water have so aggravated the rampant poverty in the continent and why environmental and political issues are inseparable in our continent. Democracy and sound politics improve the quality of life and green the land. Suppression harms both the people and their environment.

AFRICA'S GREEN AGENDA

To attempt to tackle problems of development outside the realm of the environment means simply to allow the crisis to continue unchallenged.

That is why we consider halting land degradation and loss of biomass and water as the first and basic condition for sustainable development strategies in Africa and as our point of departure to an Africa specific green framework.

- In order to achieve this goal it is imperative to allow the people much greater access to a larger resource share as an indispensable condition for a people centred development, for genuine democratic transformation and for irreversible control of economic and political power by the people. The more control the people exercise over their natural resources, the more empowered they are. Empower the people and they will green the land and overcome their misery.
- The second element in the framework is the need for people's participation at all levels of social and environmental transformation.
- The third dimension is the supremacy in the African situation of biological diversity over monoculture and the chemicalization of agriculture and over mining operations and their impact on life and landscape.
- The fourth dimension in the framework is the rate of population growth in Africa. In order to appreciate the seriousness of the problem, we have to tackle it primarily as a developmental problem, but not exclusively so. This is not to deny that the mere demographic aspects also deserve attention and are relevant to the problem.
- The fifth dimension is concerned with the implications of the arbitrary division of political borders, the resulting heterogeneous ethnic composition of the population, which in conjunction with economic and environmental degradation, are causing some very bloody conflicts, that again reinforce environmental destruction and people's misery.
- The sixth dimension of environmental concern Africa-wide is the gradual but relentless annihilation of our positive cultural and educational values; namely, collective and individual solidarity, self-help, equity, organic relation to nature, etc. which is being overwhelmed by the onslaught of the global "consume more" culture. This culture has already cast its spell and subdued Eastern Europe and is invading the humble huts of the world's poor.

Initial attempts to further integrate our weak and open economies show little concern for the poor in Africa, where the economic and ecological systems are under great stress. It is therefore important that the African green movement should question and challenge the concept, praxis and indicators of the free-market models of economic growth which are the successor to previous developmentalism.

To prepare the ground for a second liberation and for far-reaching environmental rehabilitation, we need to articulate clear programmatic alternative policies that favour the people by raising their basic needs to the status of basic strategy.

That is why we warned the African green movement not to put high expectations on the Earth Summit. We warned that governments in North and South were mainly concerned about the interests of the power elites, not the people nor the environment.

We wrote: "In the Caucasion chalk circle the environment is being torn apart by two false mothers, the governments of the North and the governments of the South. It is time that a wise judge should intervene to save the child"(6).

The Earth Summit failed to act as the wise judge, as so many hoped it would.

(1) Herman Daly, quoted in TRANET Newsletter, No.76, 1992
(2) Jeremy Seabrook, Third World Resurgence, Issue No.27, 1992
(3) Africa Recovery, 1992
(4) Bade Onimode, Future for Africa, Earthscan Publications, 1992
(5) The Ecologist, Whose Common Future, Vol.22 No.4, 1992
(6) M. Suliman, Sustainable Basic Needs, in: Foundation Development and Peace (ed.) Texte EINE Welt Bd. 6, Erde ist Leben, Bonn 1992.

SOUTH AFRICA'S TRADING FUTURE: The Actors in International Trade and Prospects for Increased External Trade for Post-Apartheid South Africa

BY ERNEST N. MAGANYA

1. INTRODUCTION

INTERNATIONAL trade, particularly since the early 1980s, has come under the influence of an increasingly regionalized trade regime operating within the context of an increasingly internationalized trading system. Any meaningful discussion of trade issues must come to terms with this reality. This paper will cover the following issues:

a) the increased integration of the world economy and the increasingly open and competitive nature of world trade.
b) the seemingly contradictory process of the regionalization of the world market as a basis for an increasingly competitive and 'open' world marketing regime.
c) the current position of the Republic of South Africa vis-a-vis major trading partners.
d) the current position of the Republic of South Africa within the context of trade with African countries and prospects for an expanded regional market, as a spring-board for an effective role in the world market by South Africa and the regional economy.

FOOTNOTE: *Paper presented at an International Trade Seminar organised by the Department of Foreign Affairs of the Republic of South Africa, 6 July, 1993.*

2. INCREASED INTEGRATION OF THE WORLD ECONOMY AND THE INCREASINGLY "OPEN"' AND COMPETITIVE NATURE OF THE WORLD MARKET.

For a country like South Africa that has been conducting trade from behind rather high protective tariff and non-tariff walls, the first thing to come to terms with is the fact that the world market place has, particularly over the last fifteen years, become increasingly more competitive and "open." The word "open" is used advisedly because the open nature of the world market is highly differentiated.

The reasons for this trend are many but the most important are economic policies formulated by major trading nations and creditors and the International Financial Institutions (IFIS — mainly the World Bank and the International Monetary Fund) in an attempt to seek solutions to the Third World debt crisis of the 1970's and 1980's and the post 1980 extended recession of the economies of developed and developing countries.

The Third World debt crisis of the late 1970's to mid-1980's posed real dangers to the survival of major financial and banking institutions of the developed industrial countries. They were particularly over-exposed to the big volume of debt of mainly Latin American countries. While the heavily indebted middle income countries (mainly Latin American) had a rather low debt burden compared to that of low income and mainly Sub Sahara African countries, the massive volume of their debt threatened the very survival of the Western banking system.

This situation can be appreciated from the following statistics. While the volume of debt increased from US$ 299.7 billion and US$58.3 billion to US$420.8 billion and US$100.3 billion between 1980 and 1987 for the highly indebted countries (HICs) and low income countries (LICs) respectively, the debt-GNP Ratio (to take one indicator of debt burden) increased from 18.1% in 1977 to 55.9% in 1987, for the first group of countries and from 25.2% to 76.2% during the same period for the second group of countries (Maganya; 1990:60). Since then, the debt burden has grown even bigger, particularly for Sub-Saharan Africa. By 1992, the Sub-Saharan Africa's debt burden was equivalent to 110% of the GNP (UNO; 1993).

The spectre of bankruptcy as a result of over-exposure particularly to the debt of HICs led to a greater involvement by creditor countries and IFIS, mainly the World Bank (herein after referred to as the Bank) and the International Monetary Fund (herein after referred to as the Fund) in the formulation of economic policies for debtor countries.

Increasingly, the re-scheduling of old debts and the transfer of new loans and grants was tied to a number of policy conditionalities. To a greater extent, these policies had/have the objective of integrating the debtor nations into the world market through increased exports of tradeables, thereby enabling them to reduce the balance of payment deficits and to begin to service their debts.

It is not the objective of this paper to provide an assessment of the success or not of the policy of aid conditionality in enabling debtor countries to begin to grow and to service their debt. It is, however, important to point out that trade liberalisation aspects of aid conditionality policies have made markets of debtor countries easily accessible to consumer industrial goods from creditor countries and other important producers of industrial consumer goods, particularly the Newly Industrializing Countries (NICs).

The short to mid-term trade implications to the current efforts by South Africa to penetrate the non-traditional markets of African countries are pretty obvious. It means that South Africa will have to compete with much more efficient producers and exporters to African markets, both the traditional exporters (EEC and USA) and the newcomers, the NICs. It should also be pointed out that even in the "secure" traditional markets of South Africa (Zimbabwe, the SACU countries and Malawi), the going will not be easy. The now much more open markets of these countries ("thanks" to the aid conditionality policies under Structural Adjustment Programmes - SAPs) will crowd out industrial consumer goods from inefficient producers.

The current Uruguay Round of GATT (General Agreement on Trade and Tariff) Negotiations and its implication for South Africa's external trade should also be discussed and assessed in this context. The early starters in international trade (the nations that now control the world market) would want to make us believe that the conclusion of this round of negotiations will make the world market competitive and open for all trading nations,

developed and developing. We are now being told that there is a clear movement towards an international trade regime by rule based as against power based principles and that, apparently, a rule based trading regime will be more just for both the early and late starters in the international market place than the pre-Uruguay round power based trading principles!

The dividing line between power based and rule based trading principles is very thin indeed! The only difference is that power based trading principles involve unilateral imposition of tariff and non tariff barriers by major players in the international market place whereas the envisaged rule based principles would involve trade rules and regulations agreed upon in a multilateral setting. In both cases, the major players would determine the **modus operandi** of the international trading system in such a way that they would be the net beneficiaries.

One important aspect of the rule based trading system being negotiated at the Uruguay Round is the introduction of cross-sectoral retaliation. This means that if a country imposes trade restrictions on one product, members of a much more strengthened GATT (call it GATT-2, the USA option, or Multilateral Trade Organization (MTO), the ECC option) would retaliate by imposing a boycott on the importation of that country's other important exports. In fact what is being negotiated is another powerful multilateral organization (over and above the Bank and the Fund) over which the early starters in international trade will wield immense power.

Whatever arguments can be made for or against a 'rule based' international trading system (managed by a powerful multilateral trade organization), successful negotiation of such a trading regime will make the re-entry of South Africa into a sanctions free world extremely difficult. South Africa will have to be an efficient producer if it wants to survive in an increasingly 'competitive' world market.

2. SOUTH AFRICA AND THE REGIONALIZATION OF THE WORLD MARKET.

Without romanticizing the global trend towards the regionalization of the world market, trade and economic policy processes analysed above make the argument for the strengthening of regional markets in Africa com-

pelling. While African markets are being forced to open up under the guise of stabilizing their economies through Structural Adjustment Programmes (SAP's), powerful regional markets are being established around important regional points (The Canada-USA-Mexico axis, Europe "1992" and the Pacific Rim).

Indeed contrary to what the pundits of "free trade" would like us to believe, trade liberalization **a la** SAP's only manages to open up inter-country boundaries for industrial consumer goods from industrialized countries and the NICS. As I alluded above, not even what is considered to be an industrialized country like South Africa is able to compete with cheaply produced (often under protected markets) goods from say the NICS that are now increasingly being dumped on to the African markets.

A long term solution to this onslaught on markets of weak economies lies in creating strong regional economies and markets. Within the context of Africa and Southern Africa in particular, South Africa seems well placed to play a leading role. Yet for South Africa to fulfil this role, it must take cognisance of the following:-

— An attempt to build a regional market in which South Africa will play a leading role must be built on the principle of mutual benefits and relations.

— While South Africa is the most technologically advanced country in Africa, it is not the most efficient producer of industrial consumables and yet, this is the area of production in which it is supposed to have a comparative advantage in the region.

— The vulnerability of South Africa's regional industrial consumer goods exports (to competitive industrial goods from traditional exporters), particularly given the now greatly liberalized markets of traditional and potential regional importers, strengthens the argument for building a regional economy on the basis of mutual benefits and co-operation. Simply put, South Africa's industrial exports are not indispensable for the markets of Southern Africa countries. In other words, both the weak and strong economies of the region have something to gain from each other in a well thought out and planned regional economy.

3. SOUTH AFRICA MAJOR TRADING PARTNERS

3.1 NON AFRICAN TRADITIONAL AND NEW TRADING PARTNERS

Having provided a global and regional context within which South Africa conducts trade with other nations, we are now in a position to identify and discuss her major trading partners. Traditionally, South Africa has relied on four countries for imports; Germany, the United Kingdom, Japan and the United States of America. Mainly as a result of not applying trade sanctions measures rigourously, Germany has of late become the major exporter to South Africa. By 1987, Germany exported twice as many commodities as the next competitor — Japan (Garner & Thomas, 1992).

The European Community (EC) as a trading block is the current most important exporter to South Africa. In 1991, EC countries exported goods worth US$ 6,958 million, or 59% of the total of the ten most important exporters.

It is, however, important to point out that Taiwan (a member of the NICS) is poised to become a significant exporter. It is currently the fastest growing exporter. In 1991 it exported commodities worth US$ 701 million and thereby becoming the 5th biggest exporter to South Africa. This figure, though, should be treated with caution. In order to circumvent trade sanctions, Japan may have re-exported some of her goods to South Africa through subsidiaries of Japanese firms based in Taiwan. On the import side, the EC is also the most important regional market for South Africa's exports — mainly minerals and horticultural exports. In 1991 the EC countries imported goods worth US$ 7,848 million from South Africa or 61% of the ten most important importers. The United States of America, which was the single biggest importer of South Africa's goods before 1986, reduced its imports significantly by 1987. While the USA imported goods worth US$ 2,476 million in 1986 by 1987 the imports had fallen by 43%. It is likely that the expected lifting of sanctions after a successfully negotiated transitional dispensation will restore the position of USA as the most important importer of South African goods.

As was the case with imports, Taiwan is the fastest growing market for South African exports. In 1991 for example, it imported goods worth US$ 1,026 million. We need to point out that although at the moment the People's Republic of China (PRC) has not made its weight felt in the South African market, the situation might change after a democratic political dispensation is in place. With the expected removal of trade sanctions even as early as after the establishment of a Transitional Executive Council (TEC) and the likelihood of an ANC dominated democratic Government of National Unity (GNU) after April 27 1994, the PRC is likely to increase the volume of exports and imports, to and from South Africa.

It needs to be emphasized that this discussion on the current and future South Africa's trade partners should not loose the perspective of the global trends discussed at length in part two of this paper. While post-apartheid South Africa could, with the correct policies, be able to increase trade with her traditional and new partners, the expected strengthening of intra-regional trade in the key three regional zones (Canada-U.S.A.-Mexico, Europe and Pacific Rim Zones) will demand much more innovative production and trade policies.

3.2 TRADE WITH AFRICAN COUNTRIES AND PROSPECTS FOR A STRENGTHENED REGIONAL MARKET

An important point to underscore when discussing trade relations between South Africa and the rest of Africa is that the small volume of trade between them is primarily a result of structural factors. It is, therefore, unlikely that the removal of trade sanctions will have any significant impact on the increase of trade between South Africa and African countries unless major structural transformations are undertaken. Indeed, as already indicated elsewhere in this paper, the current open markets of African countries means that South Africa will have to compete with much more efficient producers of goods in which South Africa has a regional comparative advantage.

Having provided this caveat, let us now go into the regional trade statistics. Comparative trade statistics on the value of trade between South

Africa and her backyard market (Southern African Customs Union (SACU) member countries and homeland countries) on the one hand and the rest of Africa on the other, is a good indicator of the insignificant amount of trade that goes on between South Africa and the rest of Africa. In 1990, trade with the SACU and homeland countries was worth US $ 2.3 billion while that with the rest of Africa was worth US $ 1.8 billion (Garner & Thomas; ibid.) The only significant non SACU and homeland trading partner is Zimbabwe. According to 1990 figures, Zimbabwe's exports to South Africa constituted 62 percent of total African exports while imports constituted 26 percent. These statistics both indicate the prospects and difficulties that South Africa faces in expanding her trade with African countries. South Africa's external trade is dominated by traditional exports (minerals and horticultural products). In this, it has no comparative advantage over African producers and indeed there are no African markets for these types of goods. In the area where South Africa has some comparative advantage (industrial consumer goods) she faces an increasingly competitive African market even in her traditional markets (Zimbabwe, Zambia and Malawi) for reasons that we have already given.

4. CONCLUDING REMARKS

The analysis provided in the preceding sections on the current trends in the international and regional markets allows us to make the following conclusions on the prospects for expanded export markets for post-apartheid South Africa:

(a) South Africa will need to be more competitive to retain let alone increase the current size of export market.
(b) The current moves at regionalizing the world market, if successful, will make it difficult for second party exporters to compete in these markets. In the specific case of South Africa this means that further expansions into the traditional and new markets (in the EC countries, US and Far East Asia) will be an uphill task.
(c) In an increasingly liberalized world economy, the inroads that South Africa expects to make into the African markets (even in her traditional backyard markets) will be hard, long and difficult.

(d) In the medium to long term perspective, South Africa's participation in the establishment of a strong regional economy will provide a secure launching pad for increased participation by South Africa and her regional partners in what is bound to be an increasingly regionalised and highly competitive world market.

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MALAYSIAN LESSONS FOR SOUTH AFRICA: AN INTERVIEW WITH MARTIN KHOR

IN South Africa there is a great deal of interest in what are called the South East Asian Tigers. There is a feeling that South Africa should also become a tiger because we need a lot of resources to overcome the legacy of apartheid. Is Malaysia a tiger and what is the reality of being a tiger?

When people talk of a tiger they are looking at the export orientation of the economy in relation to industry in particular but also in commerce, banking and so on. If you have this export-lead industrialisation then your whole economy can boom and this is the fastest way to become a developed economy.

Malaysia is only to some extent a tiger. The mainstay of the economy is still the production of primary commodities and we are blessed because Malaysia has reserves of oil and gas. We are also the largest producer of commodities such as tin, rubber, palm oil and timber. It has been on the strength of these commodities that we were able to develop some surpluses. In the more recent past we have also become a manufacturer of exports. Partly we add value to primary commodities; for instance, we have palm oil which we refine. This is good because it is quite labour-intensive and I think if you are a producer of commodities you should add value to them.

In the last 10 years or so we have also, through export-processing zones, become major producers and exporters of manufactured products — mainly electronic components and some textiles. But, if our growth has been relatively good in the last few years, it is not mainly because of the export processing zones. It is because we are rich in resources and we are

FOOTNOTE: *Martin Khor from the Third World Forum in Malaysia, was interviewed by Ben Turok while visiting South Africa in June 1993.*

exporting those resources. We have a very strong commodity base and added to this we have this manufacturing base.

The model we have of tigers is that they are basically foreign corporations operating in a third-world environment and bringing benefits to the host countries. Is this the correct view?
I think the images and advantages of export-processing zones have been really oversold and are exaggerated. There are many studies which now show that there are some benefits but they are limited and there are also disadvantages.

When people look at tigers and call them a success they look at mainly Taiwan, Hong Kong and Singapore. But Hong Kong and Singapore are not really countries; they are basically city-states. Their populations are small; for instance, Singapore has a population of three million.

Singapore is perhaps a classic case of inviting foreign investors in and prospering. Perhaps 80% of their manufacturing sector is foreign-owned and a very large portion is foreign-oriented. It works for Singapore because it has the advantage of being a port and it has a small population so it is possible to get in enough foreign investors to absorb a large portion of the work force.

But it does not necessarily work for other countries. If every country were to export manufactured products, there would be a massive oversupply, and prices would collapse. There is not enough market to absorb all the products that can be produced. It is similar to the situation in commodities. If one country is successful because it has produced coffee and every country in the world is then told to produce coffee, there would be a tremendous oversupply and a collapse in prices so that even the original country that produced coffee would collapse.

What about South Korea and Taiwan? Are they not tigers?
South Korea is perhaps more of a real tiger in that its development has been based very significantly on the growth of its own local industry and not so much on the import of foreign industry. What they have done is to absorb foreign technology and internalise it within some of their own industries so they are able to export for instance a Korean motor car and to have super construction companies. They are able to have their own

industries in other words. This is quite different from the model of Singapore or Hong Kong which is based on the importation of foreign capital, technology and companies.

Let's look more closely at the Malaysian model.
If you look at the manufacturing sector, then Malaysia as a manufacturing tiger is based on the import of foreign capital. It is a little like the Singapore model. Almost all our electronics factories and the bulk of textile factories are foreign companies and they come in into export processing zones.

Define an Export Processing Zone.
An EPZ is a geographical area and it's a zone which does not follow the normal taxation laws of the country. These foreign companies are there to basically export 100% of what they produce. So they are not producing for the local market.

Are they using local inputs or imported inputs?
Most of their inputs are foreign, for instance components or electronics for radios. And they are not taxed so they enter the export-processing zones free of tax duty. Workers who are local are asked to assemble parts. And then the final product is re-exported, usually back to the parent company or country, again free of tax. Usually these companies are also given a tax holiday and don't have to pay corporate or income tax for say five years after which it may be renewed for another five years. Sometimes it goes on forever.

What are the benefits of this?
You can look at a number of things. Does it have spin-offs into the domestic economy? In the experience of Malaysia the spin-offs are very limited. The parts are imported so it does not create the demand for local inputs. Maybe it uses local electricity and local water supply. But that is offset by the fact that these export-processing zones are usually subsidized by the government by selling or renting land very cheaply to the companies.

Local finance is also sometimes provided to these companies, sometimes cheaply. So it is not totally true that they bring in foreign money; they actually raise some of the money from the domestic banks. And therefore

they will be competing with domestic industries and domestic consumers who want access to these funds too. The contribution to government is minimal because hardly any tax is paid.

What about the purchasing power of their employees?
The only real contribution is that the corporations employ workers. These workers are then paid a salary which is usually much lower than a salary paid in the corporations' parent countries — which is the reason they come here in the first place. Some years ago when I did some research I found that a Malaysian electronics worker would be paid a salary 1/12 of what a worker would be paid in say the United States for doing exactly the same work. But that salary which is paid to this worker in Malaysia might be slightly better than a salary which a local worker might be paid by a local company. So the main benefit really to the country is that it employs workers.

As we have shown the original capital may partly be raised from local banks. Secondly, most of the components are imported. And the final product is exported. There is usually a tinkering with figures called transfer pricing. The company buys parts from its parent company or its other subsidiaries and re-exports them back to their parent company. Usually it buys the imported components more expensively than the world market price and then exports them more cheaply than the world market price. So the profit margin within the country is very small. They do this because when they come into our countries, these companies often form joint ventures with local companies. They would rather reduce the profit which they make locally so they don't have to share it with the local company and then maximize the profit which can be made abroad. And of course this would also reduce the taxes they would have to pay when the tax holiday period is over. So from a value-added point of view sometimes they don't show much profit in their books.

Studies have been done in the electronics industry which is by far the largest product in our export-processing zone and they show that there is not only no foreign exchange benefit to the country but in fact there may be a foreign exchange loss for us. The money that flows out in terms of what we have to pay for imports and royalties and what the companies

take out as profits is usually more than the benefits in terms of the export revenues they bring in which only accrue to the workers.

What about technology transfer?
It depends on what you mean by technology transfer. Most people think it means buying a piece of equipment but that is not technology transfer; it is a purchase of capital equipment. Technology transfer really is the know-how, transferring the knowledge and the skills to local people.

And actual technology transfer is extremely limited. The local engineer who works at these factories will never learn how to design or build the technology from scratch. He will simply be trained how to maintain the technology when it breaks down.

When there is local participation is there not a great deal of transfer of know-how to that local company?
This is usually the deepest disappointment. There is very, very little, perhaps even no actual transfer of technology. There is no reason why they would want to transfer technology.

You said labour was maybe paid a bit more than those in local companies. But these foreign corporations, are they unionised?
It depends. In Malaysia as far as the electronics industry is concerned, there is a tacit understanding with the government that trade unions not be allowed in the electronics industry. And this of course became a sticking point with our trade union movement which said it went against the constitution of our country. In recent years the government has allowed these workers to form in-house company unions but it still prohibits the formation of a nation-wide industry union. This is still a very sore point with our national trade union congress.

But the wages are sometimes higher in the foreign company than in the local?
These companies tend to be big companies and can pay better than small-scale local companies. But still the wages are inadequate. They can certainly pay much more compared to the profits which the company is making.

What about job creation benefits?
Job creation is limited especially if you have a very big population and you have unemployment. We did a study to look at labour intensity or capital intensity as a new way of measuring efficiency. For every dollar invested how many jobs were created? If you have an unemployment problem as you have in South Africa, you would want the most jobs possible for every dollar invested. We found that the local company created 11 times more jobs than the foreign company for every dollar invested.

This is simply because the foreign companies are very capital intensive whereas our local companies tend to be small-scale and they use lots of labour, local technology and local materials. If one is to have an industrialisation policy in a situation where there are many unemployed people and there is a shortage of foreign exchange, one should go for the small-scale and medium-scale industries that are locally owned and make use of local materials and local labour and that produce products for the domestic market; namely, the poor market, the ordinary person on the street.

The picture you give is of a sector which is not very helpful. But you yourself said that the Export Processing Zones and the related industries were part of the tiger phenomenon. Can you explain that?
Malaysia is not a very big country; our population is about 20 million. And we do have a very big agricultural sector which absorbs about 40% of our labour force. On top of this, a manufacturing sector does provide some boost in terms of job creation. The manufacturing sector which is export based may employ 400,000 to 500,000 people; that's a successful tiger. Now 400,000 to 500,000 people when most of our people are already employed helps us in our employment situation.

But when you have eight to ten million people unemployed, then if you have half a million people employed, it does not solve your unemployment problem. It might help; you might want to have an export-processing zone just to experiment but one shouldn't sink all one's eggs into that basket and make it the mainstay of your economic advance. It might be a marginal thing that you want to experiment with and if it is successful you might want to increase it. But if it is the centre piece of your programme then you might be having too many illusions of what it can do and then you might be disappointed.

Let's turn to the economic progress generally in Malaysia. It is a country with 8% growth per annum. What is the main engine of this progress? Tell us about the role of the state, foreign capital, domestic business, the informal sector and so on. And how do you measure the success?
We have a successful economy to some degree. Part of it was due to luck in the sense in that there is a wealth of natural resources in the country. Part of the boost that we had in the 60s, 70s and even part of the 80s was due to the fact that we could export these commodities.

That is also a weakness because these commodities will run out very soon. We will run out of oil within 20 years. We are now exporting our timber. We are by far the largest exporter of tropical timber and we account for maybe 70% of exports of raw tropical timber in the world. But within 7 or 8 years we will have run out of timber to export and we will become an importer. This same thing has happened to our tin industry. We were the largest exporter; now the tin industry is dying because supplies are running out. So there will be a big chunk of our economy in the future that will be gone.

Just like you have gold and one day gold will run out. And in the meantime if you make use of that surplus to develop other sectors of your economy which are more sustainable then you will have done well. But if you have wasted that surplus away then one day the chickens will come home to roost.

Who plays the biggest role in this export activity? Is it the state? foreign business? domestic business?
Originally there were many British rubber and tin companies. After independence, particularly from the mid-70s onwards, the government took over the major companies in these industries by purchasing them. It was in a sense a process of nationalisation but it was done through commercial and not political means. Not through expropriation. To that degree the profits and so on earned in our rubber and tin industries are now more and more domestically retained.

So the state plays an important part.
Yes. If you look at the tiger economies you will find heavy state involvement. In Malaysia up until a few years ago at least half of the economic activities of our country were dominated by the state in one way or anoth-

er — directly by state corporations, by the state itself, or by companies or agencies employed by the state.

What about domestic business? Is it important?
Domestic business is important. For instance at independence, 80% of our banking business was owned by the British and only 20% was locally owned. The state then introduced positive affirmation laws in favour of local banks. Today the foreign banks own only about 20% of the banking business in our country. At the same time the state itself bought into the local banks so that it in one way or another controls the three largest banks in our country.

This model failed in Africa. Why has it succeeded in Malaysia?
I don't think we can call ours a total success either. We have had a lot of wastage, we had corruption in our banking business. We also lost a lot of money. We could have been better and more efficiently managed.

But what is very important is the sources of your revenue and how you spend your money. So we had a lot of revenue from our exports because the government taxes exports. We also tax companies and individuals. So we have a very broad tax base and I am sure this must be very important to South Africa in the future. You must tax your companies and your rich and middle class individuals to give you your tax base.

And then we have a very good compulsory social security system. The employers put in 11% of the total wage and the worker puts in 9% of the total wage so that 20% of the workers wage is put into social security. That is invested in government bonds and the government is able to make use of that for development. A significant part of that money has been spent on infrastructure and rural development so that today we have water supply for 80-90% of our population. There was provision in the rural areas of water supply, electricity, roads and some degree of public transport like railways. Of course we do think more could have been done but we do have quite a good system of public transport that has in a sense "trickled down" to the rural areas.

We also had a scheme by the government which we called FELDA — of opening up new land and making it available to landless farmers. Of

course there are many criticisms against the scheme: it was very expensive, it used foreign loans etc. But to some extent it also trickled down to the poor so there is some degree of development that was able to take care of extreme poverty in the rural areas.

What is the role of domestic business?
Domestic business is very important especially in the area of commerce. Malaysia has thriving small-scale business and informal economy sectors both in the rural and the urban areas. The informal sector would mean small shops that are opening up to sell food and all kinds of things like household equipment, pots and pans, handicrafts ... part of which are domestically produced. This is very important because the people who make, sell and use these products are the ordinary disadvantaged people who constitute over 50% of our population. This internal economic system produces and caters to each other and is an underlying strength of the economy.

Is there a parallel economy — the sophisticated foreign corporations and then this economy?
We do have this dual economy; especially since export-processing zones are catering exclusively to the foreign market. And then our tin mines, rubber and timber sectors are really for the foreign market as well. Most of the people actually live in this parallel domestic economy: they buy food from here; they produce for it and sell clothes for it and so on.

Isn't there enormous wastage and duplication and how do the thousands of small shops survive?
There is a duplication but that is actually the very strength of the economy because it means people are able to set up their own economic activity instead of depending on the state. You can't depend on the government or on big companies to give you a job all the time because there are not enough jobs to go around. So what do you do? You set up your own little thing.

But in terms of the national cake, these small enterprises don't generate big surpluses; they are hand to mouth.
They don't necessarily have to be hand to mouth; some of them generate their own small surpluses from which they can then become national cap-

italists. The man who sells food and makes a profit because his food stall is popular then sets up a chain of food stalls which are very profitable. He then sets up a restaurant. And so on.

Taking the economic pattern; who has benefited? Is it a trickle down system? Is it a welfare system?
To a large extent it is still a trickle down system because of the state. It is partly a welfare system because we have a very good health system in terms of the provision of curative care. We have government hospitals and health clinics and you pay for it but if you cannot afford to pay, they will still serve you. So basically it is free.

Education is very cheap until the child is 17 years old. You get automatic education up to the age of 15 and then you take an examination and if you fail you may have to drop out. Education is not free but very cheap and easily accessible.

What are the costs of these policies that you've been setting out? Let's start with foreign corporations and their contribution to the economy; have there been any costs?
There are some social and environmental costs which in the end also become economic costs. A lot of the logging that has taken place originally was done by foreign companies. Now it is done by local companies but it is sold to foreign companies. So the foreign companies actually buy up these things and they sell it very cheaply abroad.

In environmental terms when the trees are gone, we have massive soil erosion. Our rivers now flood the towns. It is then an economic cost to build flood prevention measures. There is a loss to our water supply. Changes in rainfall will have an adverse effect on our agricultural production and so on. We are already seeing these effects in Malaysia. And the economic costs in the future are going to be tremendous.

We have a lot of pollution in our seas that has lead to reduced fishery supplies. Fish is now very expensive and this leads to reduced nutrition and higher inflation. Our tourism industry has also been effected because the word has gone around that the waters are not very clean.

And if you look at the health costs you find that quite a number of industries that came in are not very healthy. One reason why industries are shifting to the Third World is because of higher environmental and safety standards in their own countries. We have one factory from Japan, Mitsubishi, set up as a joint venture in Malaysia, which takes the waste of the tin industry and then processes it but in the process there is a concentration of radioactive waste. That factory used to produce in Japan and was exported to Malaysia because of health hazards. We then started to suffer the health effects in our community but the residents took the case to court and won so the factory has now stopped production.

Is there a gender cost — what about these young women who work for these foreign corporations?

The women start to work before the age of 20 and there are costs in terms of their health; for instance, many of them have problems related to eye sight. When their health is unable to take it then they leave. They are from the rural areas and are migrant workers. But maybe to them it also means that they can escape rural life and they are earning their own wages; they are economically independent. If the economy is booming after they leave the factories then they will stay on in the towns. When there is a recession you will find tens of thousands of these workers being retrenched. That's the time when they have to go back to the rural areas or when you have problems of prostitution etc.

What are the values of Malaysia? Free market? Enterprise culture?

We have a mixed economy so it is a mixed kind of culture. The dominant force is the market economy so there is a free enterprise feeling but this is blended and tempered with social provisions of two types. One is a strong social policy in relation to positive affirmation of the majority Malay population. The second is belief in some welfare provisions. For instance as I said we have a two-track health system. One is a private system which is very expensive with private hospitals. The second is public sector health services where even if you are poor and can't afford to pay you can use those services. And then we have education, we have electricity, water supply and so on.

Basic needs and welfare in that sense. Is it a foreign oriented value system?

Increasingly so and too much so because the economy is so open. I think about 60% of what we produce is exported and 60% of whatever we use in the country is imported. And we are very open in terms of television programmes. We have everything that Hollywood produces.

What are the lessons for South Africa? Should we become a Malaysia kind of tiger?
I think there are some aspects of the Malaysian model and the benefits and costs of redistribution according to race for instance might be useful for South Africa to look at.

What about the Export Processing Zones and the role of foreign corporations?
I would say that they may have something to contribute to the economy. We are not saying you should totally cut yourself off from foreign investment. That is not possible. But the lesson for many of our countries is that you have to build on the basis of your own domestic strength, your own entrepreneurs, your own knowledge, your own skills, your own workers, your own products and to a large extent using your own home as a base for selling your products.

That should be the basis if you are thinking of long-term development and not just a short-term event where the foreigners come in when there is a boom and then leave when there's a recession. In the long-term, there is no escape from having to build the domestic sector. And this domestic sector should not be based on a few big corporations; it must be based on a wide spectrum of small-scale and medium-scale enterprises on a decentralised basis with wide participation from the ordinary masses of the population.

Now once you have that, you can selectively ask your foreign corporations to come in where you cannot produce on your own for one reason or another or in those areas where you think you can have a high value added or where you think you can benefit from the technology. And you need not just have foreign investment in manufacturing industries; you could also go for service industries etc. But one has to be selective and retain the initiative of a national policy that selects the types of foreign industries want-

ed. And one way of doing it really is to have an assessment of social, environmental and economic impact of whatever foreign industry you want to come in.

Did Malaysia borrow money internationally?
We went through a period when we borrowed a lot of money in the early 1980s and within five years we were on the verge of a traumatic debt crisis. We borrowed from the IMF and World Bank but also from commercial banks. So the danger is not only from the World Bank.

We were in a recession so the easy way out was to borrow lots of money and in the short term it did create jobs. But a lot of it went into the wrong industries; we built luxury hotels and highways which could not reap sufficient return to repay those debts.

We had a foreign debt even higher than Mexico in terms of Gross Domestic Product (GDP). On the brink of the crisis the Central Bank of Malaysia as well as civic organisations like ourselves raised this as a very major issue. The Federal government listened and they dramatically cut off foreign borrowing; they reduced wasteful public expenditure and for five to six years the government deliberately prepaid those accounts even before they were due. The Government had realised that the worst thing the country could do was to get into a debt problem because we would loose our economic sovereignty. Once you are not able to pay back your debt the bankers will say "well if you don't want to go into a default, you will have to follow all these policies" and your country no longer has any control over your national economic policies.

Today we still have a big debt but it is serviceable and I think that's the biggest lesson for South Africa — never go into a debt that you cannot pay back. If possible rely on your own resources.

So you never had a structural adjustment programme?
We had our own structural adjustment programme dictated by our own national policy controlled by our own government and we managed to do that in time because if we didn't then we would have had to do it through the World Bank.

Is there an Asian trading block?

The Asian countries are very worried because Europe has created its own trading block and the feeling is that it will trade more within itself and therefore reduce its imports from Asia, Latin America, Japan, and Africa. The same is about to happen with Canada, the US and Mexico with possibly the rest of South America and maybe the Caribbean. My Prime Minister has been trying to raise the issue that if Asia is going to be blocked out from European and North American markets, then we should begin to trade more amongst ourselves in Asia.

He tried to create something called EAEC (East Asia Economic Caucus) but the Americans strongly attacked it. Our Prime Minister said "If you have the right to form your own trading block, why don't we have the right to do the same?" Of course it is because the US rules the world so they are able to dictate terms. Now EAEC is only a discussion group to unify views for when we go for global negotiations.

Within Asia itself we have a small sub-regional grouping called ASEAN (the Association of South East Asian Nations) which combines Malaysia, Indonesia, Thailand. Philippines, Singapore, Brunei and eventually it might incorporate Vietnam, Laos and perhaps Cambodia as well. They have decided that these countries will reduce tariffs for goods produced and exported within this region so that within five or ten years the tariffs will go down to 10%, 5%, 0% and ASEAN will then form a trading block.

If the North is shutting out products from the South and other parts of the South are also beginning to shut themselves out, then there are two things we need to do.

1) Promote trade among the developing countries of the region
2) Increase South-South trade across continents

Now we are increasingly sending trade and investment missions to Africa, Latin America and so on. That is why now you can get from Johannesburg to Malaysia in ten hours. In the past I would have had to go to Paris first.

The lesson for South Africa is that there is SADC (Southern African Development Community). If the new South Africa is able to trade freely,

then South Africa could play its role within the community of nations of Southern Africa to strengthen South-South trade. Once SADC is well set up and strong, you could then trade with ASEAN.

That is very important because if we go to South-South trade it changes the nature of the industries we set up. If you want to export to the North, you would manufacture high class, luxury products for Europe while the majority of your population needs basic goods. But if you develop a domestic industry catering to your masses, you would manufacture mass consumption goods and middle class goods which South Africans themselves can enjoy and then you can export these goods to Asia and to South America. Even if you were export oriented you would be export orienting towards Asia rather than the United States. The choice of your product would then be different and there would not be any contradiction between producing for the local market and producing for exports.

What we could do is to look at each other's production. There might be things that you have in South Africa that we don't have, and there are many things that we have that I'm sure would be very interesting for you. Even cultural items like books; we don't have to trade through London.

Is ASEAN only a trading block or is there collaboration beyond trade? They are meeting to discuss peace and stability in the region. So it started with the political caucusing and has gone on to trade and environmental issues etc. We have a similar caucus in South Asia, which is called the SACG (South Asian Consultative Group) which is working to some extent. So in the future I think there must be a federation of these organisations and we could actually strengthen ourselves in this alternative route rather than depending on the big companies from Europe and America.

The multinational companies will likely not come to South Africa in a big way. The labour cost is too high, Africa to them is not much of a market and there are tremendous transportation problems. We are successful in Asia because Japan is nearby and so we get a lot of Japanese and Taiwanese investments. But you don't really have a "Godfather" here. The multinational corporations are always going to be your dispenser of technology and investments. You could use them as a complementary step but never rely on them as a mainstay — you would be so disappointed.

What is happening in China?
There was a shift in ideology. China used to follow a self-reliant model but they have now decided to open up to the world markets. I'm sure they have calculated the pluses and minuses in this strategy and think they can expand their export market. They produce basic consumer manufactured goods which are quite popular in Asia and increasingly in the United States.

What is the effect of this on the system?
I think the system is under tension because it is moving away from planning into market orientation so there is a disorientation among the planners. I don't think there is unanimity that everything is fine and well. There are many people who are not happy with the many joint ventures and international investors.

In Malaysia we have also found that the joint ventures have not been very much to our advantage because the dominant foreign company is able to control management accounts and they bring in outmoded technology and price it very high saying that is their contribution to the joint venture equity. Subsequently, the joint venture company makes little if any profit whereas the real profit is maximised abroad. I suspect these kinds of things are also happening in China.

It depends upon how shrewd the Chinese are. Perhaps they think that if they bring in the foreign investors, they can somehow copy the technology and therefore use the foreign investors as a short-term phenomenon — you can learn and then you can kick the foreigners out.

So they are moving into a mixed economy. What are the political consequences of that?
There will be a widening of the income distribution gap. The Chinese had an egalitarian system between and within the cities and the rural areas but when you free the economy and prices then the gaps will all widen. And I think the Chinese have admitted that if this goes too far they are going to have social problems.

In the transition there is obviously a combination of public sector and private sector. In the private sector there are both privately owned farms and

firms and small-scale family farms and firms. I think the lesson we may have learnt from the Soviet and even the Chinese experience is that maybe we shouldn't repress the small-scale farm and firm. We should have limits on the degree to which they can grow so that they don't become full blown monopolies but you have to give people some initiative and this is what we call the informal sector. If people could do their own economic activities and see the rewards to a limited degree then maybe that should be a very major component of social formation and it would still be egalitarian whether you called it socialism or not.

But what happens when you admit foreign corporations and you create a private sector which goes beyond the informal sector?
It depends on whether you invite them in with the purpose of taking over the commanding heights of the economy or if you propose to invite them in but you are big enough to swallow them up so that you make use of them rather than the other way around. China has one billion people and there is no way foreign capital is going to employ even 1% of the population.

What is the racial composition in Malaysia? How has the legacy of very strong bitterness between Malays and Chinese been overcome?
About 55% of our population is Malay, about 33-35% are Chinese and about 10-12% are of Indian descent. The British decided to leave Malay farmers alone in their villages and they imported labour from China and India to work in the mines and in the plantations. Historically the towns were populated by the Chinese and to some extent the Indians whereas the rural areas were populated by the Malays.

When we had independence in 1957 the biggest issue was how to deal with this racial legacy. From 1957 to 1970, 70% of our economy was owned by foreigners (plantations and factories), about 25-28% by the Chinese who were in the small-scale business and retail sector, and only 2% of the formal economy was owned by the Malays. Of course the Malays controlled a lot of land in the rural areas. During the first 13 years of our independence the government introduced a policy of positive affirmation for the Malay community, mainly in the area of education — for instance three out of every four scholarships would go to the Malay community.

We then had very severe racial riots because there had been no restructuring of the economy. After these riots, the Prime Minister instituted the New Economic Policy which then extended positive affirmation from education into the economy. By law, any large company had to employ 30% of the labour force from the Malay community.

Thirty percent of the equity also had to be reserved for the Malay community. For foreign companies, half the equity had to be owned by Malaysians and 30% of that had to be owned by Malays. From 1970-1990, the Malay community share of the formal corporate economy rose from 2% to something like 20-25 or even up to 30%. The foreign share of the economy fell from 70% to today's 28-30%.

The government had a two-track plan under the New Economy Policy; one was to quickly raise up a new generation of Malay businessmen and professionals. The other was to eradicate poverty irrespective of race. The restructuring arm of the New Economic Policy received much more emphasis than the poverty eradication. There is still poverty and it is still predominantly Malay poverty but the situation has improved.

A lot of money was wasted because many of the Malay businessmen who came up were businessmen in name only. In a sense we created a class of capitalists or gate keepers and this is now accepted by everyone even the government party itself. The policy has now shifted and we think that it is best to train entrepreneurs who really belong to the informal sector and to create opportunities for family owned businesses. You really create the entrepreneurs from the bottom up.

What language is used in Malaysia?

At the time of independence, English was the main language in commerce and the civil service. The government then made Bahasa Malaysia the national language and phased English out of schools. Gradually Malay became the official language in government service, in the educational institutions and in parliament. In the courts now English is being phased out and it is the lingua franca especially between communities. In the world of commerce, English is still widely used.

Would you say the country is at peace in terms of racial conflict?
We do have racial tensions and they will always be there. But given that in 1969 there were awful predictions that the country would be torn apart, today Malaysia is relatively stable and peaceful from the racial point of view.

But there is no apartheid?
It depends on how you define it because many of the non-Malays — the Chinese and the Indians — are discriminated against. But it's a positive affirmation and a political reality since the Malays are the majority and were disadvantaged. Sometimes in the implementation people think that it's still unfair — why should the son or daughter of a Malay millionaire get privileges compared to a poor Chinese or Indian? But there is no questioning of the principle that there are special privileges for the Malays.

Is religion a unifying force here?
Malaysia is not a Muslim country. We have a secular government and I don't think an Islamic government would work in a situation where you have a strong minority of 45% of non-Muslims.

So there is no possibility of Islamic fundamentalism?
The word fundamentalism is a very controversial word. Are Muslims fundamentalists if they believe that the tenets of Islam should be incorporated into national administration? I don't know. We don't know what the word means anymore. But certainly there is a strong Muslim movement in the country.

Is there anything else we can say about the cultural life in relation to South Africa?
I think what is very important is that the people be allowed to function and be given the freedom to express their religion and cultures. And yet within that freedom you must take into account the sensitivities of the majority. Especially in South Africa, the majority must be given the freedom to expand their share of total national economic, social and cultural rights. If this share is not given in law and in practice then I think the situation will never be stable. I think the reason that we have had a relatively good period of prosperity in Malaysia is that we managed to take away the crisis element of this racially based instability.

In the development path that you are going to take this is the most important aspect. The government party here has been saying that unless you are able to strike this racial balance then whatever high economic growth you have in the short run will turn into disastrous recession in the long run because you will have social instability which will affect investments. But development has to be accompanied by economic growth; otherwise you can't restructure.

If you go for growth at all costs and restructuring takes second place, that growth will be an illusion and will collapse — all the factories and buildings that you have will go up in flames in the end. But if you pour all your energy into restructuring and your economy collapses, you will have a general revolt. So both have to be very well balanced.

PART V: ▼

APPENDIX

APPROACHES TO DEVELOPMENT

BY BEN TUROK

DEBATE about reconstruction and development has become a growth industry in South Africa. No consistent development policy has, however, been generated. The perspectives of some of the most important institutions engaging in the development debate are outlined below.

1. THE DEVELOPMENT BANK OF SOUTHERN AFRICA

The DBSA was established in 1983 primarily to "introduce development" into the homelands. According to the Annual Report of 1990/1 the main business of the Bank was to mobilise and make available to borrowers and clients scarce resources required for the development process, such as information, know-how, appropriate technology and finance. This activity was designed to "develop the economic base and promote economic activities in the less developed regions and disadvantaged communities of southern Africa." The main focus was on business development and basic needs.

It has to be said that the record of achievement has not been impressive, largely because of the legacy of apartheid which brought massive corruption to the homelands, which encouraged the growth of a top heavy bureaucracy, and which brought increasing destitution to the great majority of the affected people.

Yet the Bank had great potential for doing good. In March 1991 the Bank had 1,301 projects on line for R9,600 million. Despite the enormous need

FOOTNOTE: *Included as part of a discussion paper written in 1993.*

for development, the report complains about "declining absorption capacity of borrowers". This did not prevent the Bank from offering support by way of "policy analysis and formulation", "development strategies", "budgeting", "institutional capacity building" and so on.

To his credit, the then Chairman, Simon Brand, frequently stressed that increased resources were not being effectively applied because of institutional constraints. This induced the Bank to turn increased attention to the development role of NGO's and communities, in recognition that the more official development agencies such as the Independent Development Trust (which was in fact operating with government grants), were not making a significant dent in the development process.

More recently the DBSA has turned away from the homelands and is attempting to intervene in urban areas. It gives far greater emphasis to community empowerment and bottom-up approaches, but it has a long way to go before it achieves legitimacy among the disadvantaged communities. This realisation is enforcing a major restructuring of goals in the Bank, though not yet in association with representatives of the democratic movement.

2. CONSULTATIVE BUSINESS MOVEMENT (CBM)

A major effort to generate a consensus on development perspectives was undertaken by the Consultative Business Movement on June 21, 1991. The CBM is itself a rather exceptional organisation, consisting of affiliated business firms who wish to influence change in the apartheid system towards a nonracial democracy. The CBM has lobbied extensively with government, political parties and movements and other social actors.

Sensing new opportunities in the post-February 1990 unbanning of the liberation movements, the CBM set in motion an ambitious consultation process which would encompass both a "development and growth strategy" and would assist the "transition". After consulting government, business, community groups, trade unions, democratic and liberation movements and non-governmental organisations, a representative "core Group" was set up which organised four regional workshops across the country.

This culminated in a large conference in Johannesburg representing the top levels of all the above interests. The objectives were: to jointly articulate development needs, to hear views from the "recipient communities", to evaluate current development processes to identify areas of cooperation. (Report, Development in the Transition, June 21-23 1991, Consultative Business Movement, Johannesburg).

In the first session, although speakers from the major political parties and movements could not agree that the country was in transition, they identified similar priorities for development. They also agreed that development must be democratic in the sense of a high level of community participation in planning and implementation, that development agencies should be more representative, and that development should strengthen the democratic process by enabling individuals and communities to negotiate over the use of resources. They agreed on the concept of "contract" to forge a common vision and programmes.

The session concluded that development is only sustainable if it also empowers. The ANC argued that development is about the material and spiritual needs of people and required their full participation. The National Party, however, emphasised people satisfying their own needs within a favourable environment created by government. A major difference therefore was in the role of the state in relation to meeting basic needs.

Representatives of the Government argued that its role was to develop the citizen, protect his/her rights and assist development initiatives by others. A senior official stressed measures which encouraged economic growth such as stemming capital flight, encouraging foreign investment and having a sound fiscal policy. He disapproved of "kick start" demand-management policies.

In subsequent sessions, business argued that prosperity depends on "human capital development" and a "sustainable economic growth path". In the South African context this implies education and training for black South Africans coupled with a favourable environment for private enterprise. While the provision of socio-economic infrastructure such as housing and electrification was seen as contributing to stability, growth and job creation, it was not seen as the answer to sustainable growth and development. Manufacturing was seen as more important in this regard.

Non contentious was the role of NGO's whom all expected to make an important contribution to development.

Some participants discussed development as though it was an individual issue (if you don't have growth you have educated unemployed), but most participants understood development to be a primarily socio-economic matter. Thus, while it was agreed that strong growth was essential, the main emphasis was on the need for a national development framework which encompasses a wide range of concerns. The conference could not design such a framework, partly because this was not its goal, partly because no single framework could be agreed and partly because even if a common approach could have been identified, it could not have been made to stick.

The South African development dilemma therefore remained spiked by inability to straddle some rather fundamental disagreements.

3. THE SOUTH AFRICAN CHAMBER OF BUSINESS (SACOB)

A rather more traditional view from business was expressed in "A Concept for the Development of a New Industrial Policy for South Africa" (South African Chamber of Business, 30 May, 1991). This document is more concerned with growth than development which is seen largely as poverty alleviation than as tackling larger problems. SACOB addressed the matter of poverty through the lens of wealth creation and employment opportunities — the old "trickle down" approach: "the problems of poverty and unequal distribution of income can only be addressed by the creation of substantial new wealth".

They argued that high levels of growth depend on the manufacturing sector. This is partly because South Africa has a high rate of employment in industry as a proportion of total employment, compared even to many advanced countries e.g. Germany. However, the percentage employment in manufacturing is less substantial as a ratio of the economically active population though still in line with Norway, Canada etc. The expectation by business, and many others, is that growth in manufacturing is the key to employment creation. While there must be a degree of validity here, it

is by no means a certainty since there is also a substantial case for making manufacturing far more technologically advanced (in the context of export competitiveness) and this might mean job losses rather than job creation.

The World Bank proposes that job creation should take place through labour-intensive processes rather than capital-intensive enterprises and is indeed highly critical of the capital intensity of many of the large parastatal enterprises such as Armscor and Sasol.

4. NEDCOR AND OLD MUTUAL'S PROPOSALS

Two of South Africa's largest corporations, Nedcor and Old Mutual, sponsored a report "Growing Together — Institutions and Initiatives for Economic Democracy and Growth", which was produced in 1992. A large "Professional Economic Panel" was set up which consulted many experts and decision makers in government, academia and business.

The Panel's brief was to "develop detailed strategies to improve the total economic situation and create a climate for a sustainable economic upswing". They were also to plan greater job creation programmes, examine a national education strategy, and set clear goals for the above.

The Panel worked on the assumption that if they generated reasonable proposals this would have an impact on the policies and strategies of various parties and political groupings. Hence their decision to focus on the institutional, social and political changes needed "sometime before the economic policy itself can change" and which would be the basis for economic growth. Their proposals included a "stability pact", a "development pact" and a "political pact". They also stated that of the institutions generated by apartheid, "none are structured and staffed to play a positive role in transition and a new society." They therefore concentrated on identifying a whole range of new institutions which would take responsibility for various economic sectors such as fiscal policy, industry, trade, and human resource development

Nevertheless they set out certain basic economic criteria: a sustainable economic growth path, balancing wealth creation with redistribution, a

budget directed at serving the poor, industrial incentives to open up the economy to the external trade, partnership in production between management and labour, increasing internal industrial linkages, greater labour absorption, and foreign exchange earning through high value added manufactured goods.

More concretely, they identified housing and electrification programmes as a priority and job creation and human resource development as the "basis for all other development". Also vital was promoting entrepreneurship and economic empowerment for the disadvantaged.

5. THE MONT FLEUR SCENARIOS

A multidisciplinary task force was set up by the University of Western Cape in 1991 to sketch four scenarios of transition for South Africa. The preferred flamingo option assumed that a new government would adopt "sound social and economic policies and observe macro-economic constraints". It also assumed a sound democratic process which would give the government legitimacy. Initial growth would be slow but public confidence would grow largely due to an increase in formal sector employment.

The economy would be market-oriented (not a free-market economy); there would be monetary and fiscal discipline; foreign exchange earnings would increase through export growth and tourism. There would be growth and redistribution and an efficient delivery system though there were differences about how this would be effected.

In the process of drawing up the scenarios, the team drew attention to the dangers of conservative policies on the one hand and "quick fix" populist solutions on the other. However in taking the cautious advance approach it is not clear that they moved beyond consensual generalities. It seems that there remained many serious differences within the team on critical issues.

6. NATIONAL DEVELOPMENT FORUM (NDF)

One of the most significant initiatives to formulate development policy was the formation of the National Development Forum by ANC related

groups in 1991. The purpose was to coordinate the substantial work by many sector groupings and to generate a national development strategy for the democratic movement as a whole. The NDF was seen as a "platform" and its aim was to "broaden out" to embrace many other organisations, especially at local level, and not to become a new organisation.

To this end several national meetings were held; attended by representatives from all the major NGO's which identified with the ANC. The perspective set out by ANC General Secretary Cyril Ramaphosa was for a "meaningful transformation to a non-racial democracy", to "ensure a transfer of power to the people", to "restructure the economy", and to "democratise the development process". These "transformations should empower the people and build institutional and organisational capacity to enable the people to participate fully in the political and economic process of society". The NDF would be a forum of civil society for the struggle for "people-centred and democratic development".

As might be expected in that context, political aspects were highlighted as a component of transition (though socio-economic and cultural issues were also prominent). Among the political considerations emphasised were controlling the terms of transition to ensure the democratisation of state institutions, political pressure to ensure more equitable allocation of resources and the creation of a national network of progressive development organisations. "The key question is to what extent should development be a function of national and local state institutions (the developmental state) or of community controlled and non-governmental organisations."

Inexplicably this excellent initiative stalled and the NDF collapsed. A small group called Development Research Group produced a paper "Towards a Framework for National Development" in 1993 which attempted to synthesis the findings but then went out of existence too. The paper advocated the adoption of a vision of a "developmental society" which would try to establish a national consensus around some basic concerns. Among these were to productively integrate the people into the society and economy, to deliver social services to all, to make "economic growth a national priority without which development is impossible" (thereby reiterating the orthodoxies of business and state). Economic

activities which were not being undertaken by the private sector and which would contribute to the national development strategy e.g. housing, jobs etc., would be performed by the state.

The paper sees the promotion of development as an important political task. It also requires voluntary work, initiatives and participation by NGO's and CBO's and structures of coordination between each sector and level since " this promotes the legitimate interests of all." On this optimistic note, the group declared its demise!

7. AFRICAN NATIONAL CONGRESS (ANC)

In May 1993 the ANC held a large National Policy Conference with representation from all its regions and branches. The Conference was to consolidate the work of many working groups which had met over two years and more and establish a sound Policy Document. A substantial document was drawn up after much debate though it was termed "guide-lines", leaving room for amendment and reformulation.

A first draft submitted to the economic commission was entitled "Towards a Growth Path in a New South Africa". This was soon amended to read "Towards Growth and Development in a Democratic South Africa" and the discussion reflected this change. Development was formulated as "improving the lives of the country's people"; while at the same time having policies that "encourage the economy to grow". However, after the conference development was not highlighted in major policy statements, nor is there a development department at head office.

The Macro Economic Research Group (MERG) started by the ANC commenced its work through the prism of a mathematical model and then set up 13 research groups to develop a macro-economic policy framework for a post-apartheid South Africa. Its work has yet to be published so no judgment can be made. However, the MERG coordinator presented a brief overview of the direction of ANC thinking about the economy and its democratisation to a meeting of South African businesses. He stated that the organisation was advancing a "vision of economic change in favour of

a steady improvement in living standards and for a growing economy based on the fullest utilisation of the people".

The coordinator said that the policy driving the work was the existence of a "poverty of demand" which is associated with a downward trend on the supply side and which transmits itself back to further reductions on the demand side leading to further declines in consumption and this was now a structural phenomenon. The limited and stunted local market with low economies of scale arose due to gross inequalities in income and wealth. Further, heavy dependence on balance of payments has distorted the economy and limited the scale of employment generation to manufacturing thereby bringing high unemployment. In addition there was the problem of a highly parasitic profile of white employment which mopped up the economic surpluses generated in the country as well as being responsible for foreign imported consumer goods.

The solution proposed was to mobilise all our people through productive employment which would widen the domestic market and bring them into the money economy. The object is to generate a spiralling expansion of the domestic market — of domestic demand, domestic production and domestic employment. Of major importance is a massive social programme such as housing, transport, and education which has large knock-on effects including increased demand through income redistribution and demand for local manufactures.

Private and public investment should be directed to employment generating activity particularly in manufacturing directed at the domestic market. Finally, space must be created for black productive enterprise and development as part of the industrial economy rather than in the informal sector which is "soul-destroying" and cannot solve major problems.

8. CONGRESS OF SOUTH AFRICAN TRADE UNIONS (COSATU)

In March 1993 Cosatu began discussing a Programme of Reconstruction and Development which would assist in forming the basis for an election platform for the ANC. The need for the programme arose from two considerations: firstly, the economic crisis had resulted in increased levels of

unemployment, violence, crime and social disintegration and Cosatu wanted all parties to commit themselves to reconstructing the economy; secondly, they believed that the right to vote would be meaningless if it were not accompanied by the right to proper housing, education, health, jobs and other social rights.

Cosatu therefore resolved to fight for a Reconstruction Accord to underpin the political process and address the following issues: job creation, poverty, an integrated education and training system, individual and collective rights — all within the context of a strong civil society.

PART VI: ▼

INDEX

INDEX

Affirmative action, 17, 202, 211-213
African Alternative Framework for Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP), 123-125, 171
African Capacity Building Initiative (ACBI), 150
African Council of Hawkers and Informal Business (ACHIB), 49
African National Congress (ANC), 31, 34, 55, 69, 84, 224-225
African Priority Programme for Economic Recovery (APPER), 119, 124
Agriculture, 12, 18-19, 36, 59, 64-65, 68-80, 101, 140, 181-182
Association of South East Asian Nations (ASEAN), 209

Baker Plan, 166
Big business, 30, 33, 220-222
Black business, 17, 48-49, 61
Brady Plan, 168

Capacity building, 104-105, 150
China, 56, 91, 210-211
Civil service, 87, 95-96
Civil society, 90, 93-97
Commodities, 73, 114, 163, 201
Community-Based Organisations (CBOs), 18, 103-105
Congress of South African Trade Unions (COSATU), 55, 104, 225-226
Consultative Business Movement (CBM), 218
Cooperatives, 18-19, 78, 101
Corruption, 8, 30-31, 111
Culture, 205

Debt, 2, 109, 113-114, 121, 125, 129, 155-157, 159-162, 164-172, 177-179, 187-188, 207
Decolonisation, 86-89, 92-93, 99, 101, 177
Demand, 34-35
Democracy, 54-55, 84, 90, 96-98, 101, 177
Devaluation, 76, 110, 115, 131
Development Bank of Southern Africa (DBSA), 102, 217-218
Development Institutions, 99, 102, 104-105
Development Strategy, 1-3, 7-27, 29, 31-38, 54-55, 58, 63-67, 68-80, 99-102, 111-112, 116, 118, 125, 176, 182, 184, 206, 209, 211, 217-226

East Asia Economic Caucus (EAEC), 208
Economic Commission for Africa (ECA), 111, 119-120, 122, 124, 171, 180
Economic structure, 7-8, 10, 15-16, 25, 28-30, 33, 36, 55, 121, 203
Economically Active Population (EAP), 11, 43-44
Education, 9, 13, 47, 104, 133, 141-151, 163, 204
Employment, 11-12
Environment, 28-29, 59, 170, 174-175, 181, 183-185, 204
European Community (EC), 35, 191
Export Processing Zone (EPZ), 195, 197, 200, 205-206
Exports, 36, 110, 115, 201
External Orientation, 16, 35-36, 57-58, 64-65, 110, 119, 127, 195, 209

Final Act of Lagos, 119
Finance, 47, 50, 52, 197
Financial institutions, 19, 50, 187
Foundation of African Informal Business Sector (FAIBS), 49

G7, 115, 155, 157-160, 167, 171-172, 183
General Agreement on Tariffs and Trade (GATT), 61, 97, 115, 175, 180-182, 188-189
Ghana, 47, 73, 87-88, 115
Global Coalition for Africa, 124-125, 127
Gramsci, 93-95
Growth, 13, 19-20, 28-29, 31-34, 54, 61, 122, 164, 195, 201

Health, 53, 134, 141-143, 163, 204-205
Homelands, 31, 43, 78
Housing, 17, 19, 36
Human-Centred Development, 20, 37

Incomes, 8-9, 13, 21, 25, 45
India, 88, 145
Industries, 11-12, 15-16, 30
Informal Sector, 12-13, 39-53, 120, 211
Infrastructure, 17, 202
Internal Orientation, 18, 60-61, 116, 119
International Economic Relations, 2, 16, 35, 45, 56, 61, 78, 109, 111, 113-115, 121, 125-126, 155, 157, 162-164, 166 169, 171, 175, 177, 181, 186-188, 193
International Monetary Fund (IMF), 2, 14, 33, 61, 97, 109-115, 123, 125, 128-129, 132, 155-157, 160-161, 163-164, 172, 175-176, 179, 187
Investment, 56, 112, 196, 206, 209

Japan, 56-58, 205, 209
Job Creation, 17, 19, 36, 200, 203
Joint Ventures, 198, 210

Kenya, 73-74, 88, 140

Lagos Plan of Action, 111, 116, 119, 124-125
Land, 13, 19, 24
Land Reform, 70, 75, 78, 202-203
Language, 212

Malaysia, 195-214
Manufacturing, 30, 35, 57
Maternal mortality, 53, 134
Migrants, 11, 47, 205
Mozambique, 11, 142

National Development Forum (NDF), 222-224
Nationalisation, 14, 201
Nedcor, 221
New world order, 56, 114, 125, 158, 176-177, 179-180, 208
Nigeria, 47, 95, 129, 141
Non-Governmental Organisations (NGOs), 98-106, 172

Old Mutual, 221
Organisation of African Unity, 111, 115-116, 119-120, 124-125, 170-172, 179

Paris Club, 115, 165-166, 171-172
Popular participation, 37, 90, 100-103
Population, 10, 24, 43-44, 46
Prices, 73-74, 132
Private Sector, 32, 201-202
Privatisation, 120
Produce Markets, 72-74, 76
Public Expenditure, 16, 22, 65-66, 132-133, 146, 202

Reconstruction, 14-16, 18, 20, 32-33, 35-36,
Redistribution, 17, 29
Regional Economic Markets, 35, 126, 171, 189-193, 208-209

Services, 23, 25, 67
Small Business Development Corporation (SBDC), 49, 50
Small Enterprises, 17-19, 45-46, 61, 203
Social Development Fund (Zimbabwe), 135-136, 143
South African Chamber of Business (SACOB), 220-221
South Korea, 56-61, 196
State Intervention, 74, 78, 96, 201-202
Structural Adjustment Programme (SAP), 14, 37, 64, 68-80, 110, 115, 117, 119-120, 123-124, 127, 130-151, 160, 164, 172, 177, 179-180, 190, 207

Sub-Saharan Africa: From Crisis to Sustainable Growth — A Long-Term Perspective Study on Africa (LTPS), 117-127, 147-148
Subsidies, 3, 9, 16, 30, 72, 76, 110, 132
Sustainable Development, 7, 28-29, 32, 37, 174, 184-185

Taiwan, 57-60, 191-192, 196
Tanzania, 73-74, 100
Tariffs, 9, 56, 121, 163
Technology, 57, 58, 183, 199
Terms of Trade, 73, 114, 163, 177-178, 183
Trade Unions, 36, 59, 101, 104, 199
Trickle-Down, 31-32, 45, 55, 202-204

Unemployment, 43-46, 147
United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD), 119, 124

Wages, 57, 64-65, 198-199
Wealth, 8, 30, 203
Welfare, 13, 17, 29, 32, 36, 204-205
Women, 43, 46, 52-53, 57, 63-67, 130-143, 170, 205
World Bank (WB), 14, 31, 37, 52, 55, 61, 77, 97, 109-112, 114-115, 117, 129, 132, 144-151, 155-157, 160, 172, 175-176, 179, 187, 207

Zambia, 52-53, 141, 148
Zimbabwe, 115, 130-139, 142-43

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