

Staying the Course

Can the ANC Maintain Its Progressive Agenda?

by Patrick Bond

JOHANNESBURG— The Reconstruction and Development Program (RDP) of the newly elected African National Congress is one of the world's most progressive agendas for governance based on meeting a developing nation's basic needs. Whether it merely sits on bureaucrats' bookshelves or becomes the guide to the ANC government's actions remains uncertain, however. A mobilized populace will be needed to prevent the government from bending too far in response to the demands of the domestic and international business sectors and to ensure that many elements of the RDP are carried out.

Agenda for a new democracy

Non-governmental organizations are looking to force the government to uphold the following progressive core commitments of the RDP:

- The RDP expresses a primary commitment to meeting the basic needs of all South Africans. In nearly every sector, the merits of detailed proposals were contested for months. In most cases the more visionary, ambitious arguments won the day; this victory was the direct legacy of decades of concrete struggles to win basic social goals.

- The RDP includes several specific reforms which could ultimately form the basis for deeper socio-economic transformation. These include a new Housing Bank; a call to change (by law) the directors of the major mutual insurance companies, Old Mutual and Sanlam; a decisive commitment to reproductive rights, which will empower many women (the RDP is generally very strong in pointing out the existence of women's oppression, but less firm in its proposed solutions); and potential anti-trust

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A BMW assembly line in Pretoria.

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Keeping the World Bank Out of South Africa

UNTIL EARLY THIS YEAR, ANC progressives worried that the World Bank was achieving excessive power over ANC policy in various sectors. But with the issuance of the ANC's governance blueprint, the Reconstruction and Development Program (RDP), ANC progressives, the COSATU trade union federation, social movements and nongovernmental organizations won a significant victory over the World Bank and International Monetary Fund (IMF).

Guiding principles were laid out which appeared to foreclose reliance on the World Bank for the development or funding of the infrastructure, health and education programs or industry. "The RDP must use foreign debt financing only for those elements of the program that can potentially increase our capacity for earning foreign exchange," the plan reads. "Relationships with international financial institutions such as the World Bank and International Monetary Fund must be conducted in such a way as to protect the integrity of domestic policy formulation and promote the interests of the South African population and the economy. Above all, we must pursue policies that enhance national self-sufficiency and enable us to reduce dependence on international financial institutions."

Oxford historian R.W. Johnson wrote in the *London Times* that IMF economists believe the ANC is "living in fairyland" for attempting to finance the RDP from domestic resources. Johnson attributes blame for the "no foreign loans" clause to Ben Turok of the Institute for African Alternatives. He calls Turok "the ANC's most extreme opponent of the World Bank and the IMF, who is to be the economic supremo of the Johannesburg region." Johnson also blames "the strength of the South African Communist Party within the ANC and the tendency of many in the ANC to see the Bank and IMF as part of a global capitalist conspiracy."

The RDP also includes the warning that Southern African countries "were pressured into implementing [IMF and World Bank] programs with adverse effects on employment and standards of living. It is essential that we combine to develop effective strategies for all South-



Nelson Mandela.

ern African countries."

The IMF and World Bank have significantly influenced the policies of the ANC government, however. The IMF put intense pressure on the ANC to reappoint big business Finance Minister Keys and Reserve Bank Governor Stals. According to the new ANC Labor Minister, Tito Mboweni, the IMF nixed nationalization of industry. Similarly, "economic populism" as a general philosophy is out of the question because, says leading ANC tax specialist Dennis Davis, "significant international influences had been brought to bear through the IMF and World Bank." And Nelson Mandela periodically cites the Bretton Woods institutions as potential funders, though purely as a means of assuaging nervous business audiences.

This sort of IMF influence is to be expected, since the RDP sinks into neoliberal discourse when it comes to fiscal, monetary and trade policies.

But anti-Bank sentiment is alive and well, not only within the RDP but as reflected in the April comment by the ANC Minister of Trade and Industry Trevor Manuel that there was not likely to be

any borrowing from the World Bank for at least the first two years of ANC rule.

Bank representatives, meanwhile, have invested enormous energies in winning over Johannesburg officials to their agenda — particularly to the local financing of electricity and water, in contrast to the RDP's national tariff proposal — so conflicts should emerge quite quickly.

Into the cauldron of South African politics ventured Isaac Sam, the first World Bank resident official. For Sam, the early going was tough, as the Bank quickly limited its urban staff to non-township visits, due to the danger of violence and crime. Danger of popular protest and direct action against the Bank and IMF also appeared on the horizon, as the "South-South-North Network," a coalition founded by more than a dozen Southern African and Brazilian popular education and research groups, catalyzed by a Toronto anti-apartheid network, prepared to join worldwide protests of the fiftieth anniversary of the Bank and IMF.

Turmoil between the ANC and World Bank and IMF promises to be persistent. *Business Day's* lead finance writer noted: "The ANC wants to create an almost utopian society, described in the RDP. But it has to build that society while keeping its promises to the IMF and its own commitment to 'macroeconomic balance.' ... The IMF has subsequently argued a drop in real wages will go some way towards solving South Africa's unemployment problem. This view is absent from the RDP, which 'makes a decisive break with the exploitative cheap labor policies of apartheid.'"

Whether policymakers in South Africa's Government of National Unity, including the left-over status quo "econocrats," believe that carrying out the RDP also requires making a decisive break with the exploitative cheap labor policies of the IMF and World Bank remains unclear. Whether they ultimately agree or not depends to a large extent upon whether popular pressure can be mobilized over the months and years ahead.

— P.B.

attacks on corporate power.

- The RDP proposes to limit the influence of the World Bank; in areas where RDP programs do not directly contribute to raising foreign exchange — such as housing, health, welfare, education and land reform — the RDP promises that the government will not take out foreign loans.

- The RDP contemplates a strong but slim state that will continually empower civil society both by requiring citizen input into major decisions and by helping foster a strong non-governmental sector of trade unions, community groups, churches and women's and youth organizations. The chapter on "Democratizing State and Society" promotes popular direct democracy (using

terms like “community control” and “people-driven development”), through which people take control of vital aspects of their lives which were previously influenced far more by the government and the market.

The initial implementation steps of the RDP have given grassroots activists cause for hope, even in the face of the government’s newly conservative and business-oriented rhetoric. Grassroots activists are heartened that former trade union leader Jay Naidoo (rather than ANC economists such as Trade and Industry Minister Trevor Manuel) is in charge of the RDP, working directly in Mandela’s office.

In many of the country’s nine new provinces, the RDP has already begun to generate enormous support from grassroots forces anxious to get a cut of the \$700 million in development project support which Mandela has allocated to Naidoo. Radical economist Ben Turok of the Johannesburg area, for example, held a conference in early June, attracting 1,000 township leaders who promptly began forming local “planning forums” to define the development process in their communities.

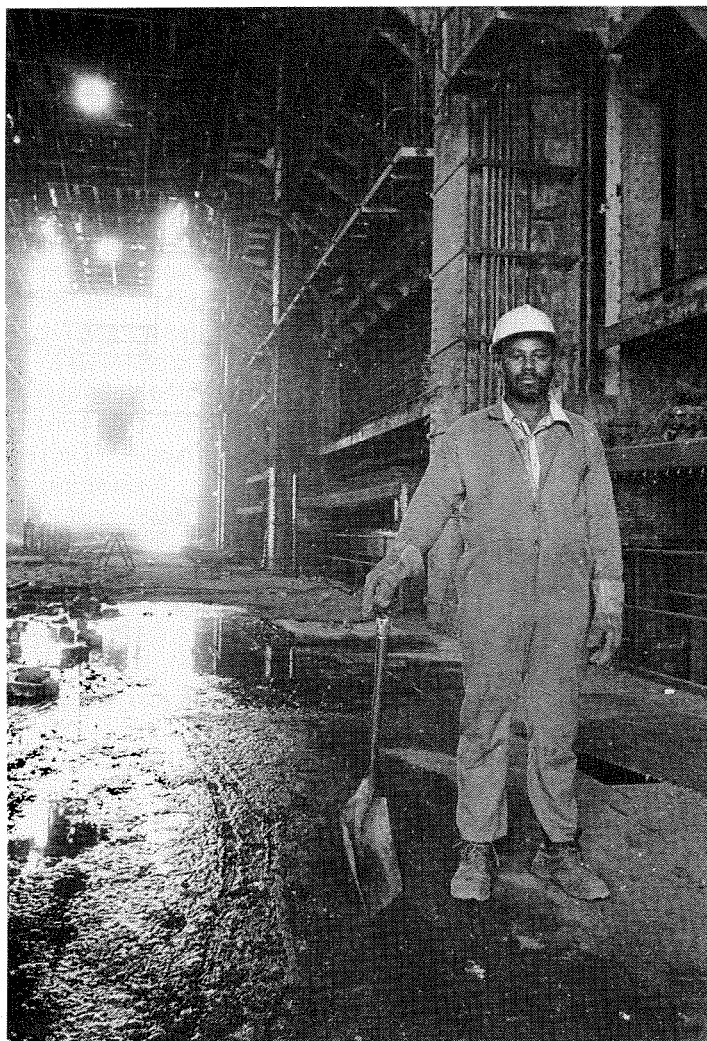
Such grassroots leaders know, better than Jay Naidoo’s main adviser, Deputy Finance Minister Alec Erwin, once a Marxist university lecturer and metalworkers’ union educator, that “market forces” already play a substantial role in supplying basic needs (housing and taxi transport are easily the two most significant, consuming more than a quarter of the average township household budget). The result has been, by all accounts, disastrous, including taxi wars over territory and clientele, housing markets flawed by wholesale redlining, “negative equity” (where mortgages are worth more than houses), no resale market and only 10 percent of the black population able to afford a house on the open market. It is the need to transcend the market that led to RDP commitments of huge state subsidies, nearly four times present levels in the case of housing.

Many leftist intellectuals, including those affiliated with the South African Communist Party, also remain optimistic about the RDP, and argue that it is a good starting point for a more far-reaching economic and social transformation.

ANC member of parliament Phillip Dexter, for example, insists that by “gradually infusing the RDP with socialist ideals and practices, a socialist program for South Africa can be developed.” Dexter, formerly leader of the hospital workers union, expands on this: “We need to find ways to ensure alternatives to capitalist markets, for example, by decommodifying certain resources and services.” He promotes “communal access to economic resources. Housing, for instance, could be provided through associations, and be offered as non-sellable property rather than [as] rented or privately-owned units.”

The RDP section on housing includes proposals along the lines advocated by Dexter. It calls, for example, for “mechanisms (such as time limits on resale or compulsory repayment of subsidies upon transfer of property) [to] be introduced to prevent speculation and downward raiding.” Many progressive housing experts view these sorts of market restraints as a necessary component of any solution to the low-income housing crisis.

Without such mechanisms, housing will be bought and sold subject only to financial means, and more privileged groups within the townships and rural areas will quickly crowd out the poorer beneficiaries of the subsidies, leading to landlordism, “downward



Cape Town power station.

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raiding” and deep divisions in the working class.

An agenda in peril

Given the reach of the RDP, many at the South African grassroots were angered and disappointed when, within days of President Nelson Mandela’s electoral triumph, his government showed signs of backtracking from the program. Shortly after the election, Communist Party chairperson Joe Slovo, the new national housing minister, announced, “The government cannot condone squatting,” in response to a wave of land invasions by blacks on state land near white, middle-class residences. Former community leader Dan Mofokeng, now housing minister for Johannesburg, announced a moratorium on such invasions, which was roundly ignored.

The RDP will be rewritten and scaled back, confirmed Jay Naidoo. Post-secondary education subsidies will be cut dramatically, announced Deputy Finance Minister Erwin. Even the fundamental goals of the program are being redefined. The point of the RDP, explained Erwin to a workers’ magazine, is that “the program to meet basic needs will in fact open new opportunities for the private sector to take up a wide range of economic activities, and for market forces to come into play in areas where they never

South Africa's Rude Awakening

FOR SOUTH AFRICA, the most startling fact about the General Agreement on Tariffs and Trade (GATT) is this: according to the World Bank and Organization for Economic Cooperation and Development (OECD, the world's 24 industrialized nations), the new agreement will cost the country \$400 million in net annual lost trade revenues by the year 2002, due to declining prices of South African exports. In addition, there will be social costs of associated unemployment and adjustment, and lost import tariff revenues (equivalent to a 1 percent increase in the Value Added Tax). Africa as a whole will lose a net value of \$2.6 billion a year by 2002, according to the World Bank/OECD report.

South African officials released very few assessments of GATT's implications for various sectors. Vella Pillay of the main ANC-aligned economic think-tank predicts GATT will lead to a disaster. And Trevor Manuel, now Trade and Industry Minister, late last year called for developing countries to challenge OECD power in GATT: South Africa "must not just accept what OECD countries lay before us," he said. After all, Africa is not permitted to protect its cotton farmers and textile producers in the same way the United States long did, noted Manuel, yet the United States is leading the demand for more rapid trade liberalization in South Africa.

When U.S. Secretary of Commerce Ron Brown visited South Africa last December, he

conceded that future aid would be "part of the U.S. export strategy." Conditional aid has long fostered dependency and ultimately debt crisis, as it has often resulted in the introduction of inappropriate foreign technology requiring expensive maintenance. The United States was also primarily responsible for South Africa being denied GATT "developing country" status (although being deemed an "economy in transition" will earn South Africa another few years to phase GATT in, beginning in July 1995).

Trade issues are new to many workers, and inexperienced Congress of South African Trade Unions staff assigned to the National Economic Forum, including former metalworkers' official Alec Erwin, did not distinguish themselves in the GATT negotiations. They permitted huge tariff reductions in key industries, which will lead to massive job losses in coming years.

Tariff protection for the book, paper and appliance sectors ended up half as high as South African negotiators initially proposed. Protection for the clothing and textiles sector fell from a proposed 60 percent overall tariff structure to 45 percent. But tariffs for some household textiles fell to as low as 15 percent. In addition, other multilateral GATT clauses could cut protection for iron and steel, pharmaceuticals, chemicals and construction equipment to nothing. Iscor, South Africa's biggest steel producer, had earlier this year lobbied for

20 percent protection.

The automotive industry was said to have played the strongest hand, maintaining 50 percent tariff protection. But even those cards appear weak given the fact that, with 115 percent tariff levels at present, 35 percent of the local market has already been penetrated by imports. Of seven major auto plants, four will likely close, Erwin concedes.

All in all, South African tariffs will fall 36 percent. And Pretoria's General Export Incentive Scheme, widely acknowledged to be peppered with corruption, will be phased out beginning in 1995. At present, says Nic Swart, chair of South Africa's Board on Tariffs and Trade, the textile and clothing industries are only surviving because of export subsidies.

Vella Pillay predicts textiles "will be decimated within a year and the motor vehicle industry will be reduced to a third its current size" if GATT is not renegotiated.

The only palliative to the anticipated problems that will be caused by lowered worldwide tariffs may be for Southern Africa to more quickly constitute itself as a common market. Integration is a delicate matter, however, with other regional countries fearing domination by South Africa. In fact, in large part because of the South African threat, Zimbabwe and Zambia recently raised their tariffs.

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operated."

Still worse, Mandela reappointed both Finance Minister Derek Keys and Reserve Bank Governor Chris Stals, both strong proponents of big business. According to *Business Day* newspaper, South Africa's business elite would have been satisfied with just one of these holdovers, but International Monetary Fund Managing Director Michel Camdessus told Mandela that both should be kept on.

Stals has a horrendous track record. The punitively high interest rate policy that he supports is largely responsible for the exceptional length of the country's recession, the fact that capital stock is lower today than a decade ago, the present fragility of economic recovery and the persistence of mass unemployment and poverty.

Problems in several of Stals' other areas of responsibility reflect his failure to come to grips with financial markets: ineffectual banking regulation as evidenced by accelerating financial scams; the proliferation of bank price cartels which generate huge profits on loans to small businesses and consumers; failure to enforce the Usury Act; and vast (prosecuted and unprosecuted) corruption in foreign exchange dealings.

Further, Stals' generosity to a favored few corporations that

invest offshore via the financial rand (South Africa's dual currency, meant only for investors outside South Africa) contributed to finrand liabilities which, by most expert calculations, are approximately \$12 billion, at an annual servicing cost of \$1.5 billion.

The battle ahead

If the most optimistic trends here prevail — if progressives are able to consolidate their role in the government, the business sector remains relatively divided and incoherent and the non-governmental groups which brought the ANC to power continue to gain strength — then the RDP can act as a guide to enact a transformation of South African society and to address the inequities which have plagued the country for centuries. There is a strong possibility, however, that the early ANC distancing from the RDP will only foreshadow a further retreat, and that less progressive forces within the government may ignore the RDP or actually change it fundamentally. An upcoming "Unity of the Left" campaign, led by communist, trade union and civic activist-intellectuals will provide South Africans with a forum to reaffirm their commitment to making the RDP work for the grassroots, instead of protecting the status quo. ■