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What about South Africa's future?

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Boston University

WHAT ABOUT SOUTH AFRICA'S FUTURE?

by Ann Seidman

I. Introduction: No crystal ball! = 2 interrelated aspects: 1) SA within changing international context; and 2) within SA

II. Impact of changing international division of labor and collapse of socialist block:

A. Western pressures for "capitalist road" = continuation of past pressures that contributed to SA's postwar industrialization: 3 sets of actors: transnationals; western governments, especially US; and international agencies

1. transnationals:

a. viewed SA as regional subcenter, a base for penetrating African continent (note = 3 X US, population 500 million, rich mineral and agricultural resources, high rates of unemployment = cheap labor, largely untouched)

US TNCs → long history/minors after end of colonial rule → penetrate independent Africa

b. transnational corporate investment in SA = dominate industrial and financial sectors (in close collaboration with SA based Anglo-American Corporation, the World's 25th largest TNC, one of top foreign investors in US!)

c. competition with first world workers; egs re US as declining industries move to third world areas:

(1) where repressive governments, like SA's, keep disciplined low wage labor force

(2) divestment: replace ownership by contracts, reduce risk, increase flexibility

2. Western governments:

a. TNCs will expect economic (and if necessary, military) support from governments,

b. Frightening aspect of Iraq war

US government: supporting post-colonial penetration of Africa - under Reagan - major military investments - from Morocco / IV thru Zimbabwe / East → Angola / oil = long history / SA (including CIA & police military)

(1) = massive smashing with sophisticated weaponry, back to "pre-industrial age;"

(2) added on to Grenada, Panama, Nicaragua, Angola and general expansion of US military in Africa

3. International agencies: IMF, World Bank financial support for "market economy" - SA in on funding both/Bretton Woods

a. IMF gave largest loan in Africa to help SA balance payments in early 1980s; undoubtedly has been advising government since

(1) Privatization already under way: i) = current government income; ii) reduces state involvement as blacks seem likely to have greater role in government

b. World Bank waits in wings: note biggest World Bank loan to any third world private project through International Finance Corporation was to Zimbabwe's Hwangwe Thermal Plant - jointly owned by Anglo-American and Zimbabwe government. *in 50s = first sub At loan*

→ major influence

B. Changes in socialist block = 2 aspects: (1) loss of support; (2) competition: *(implications for SA)*

1. Loss of support

a. note that Eastern European countries, like Poland, have begun trading with SA despite sanctions; Soviet Union has established consular relations;

b. loss of financial support and possible source of weapons if forced to return to armed struggle; note powerlessness of USSR re Iraq situation = no external base for MK

c. if gain state power, and decide to initiate major steps towards socialism, can't count on kind of financial or military support Cuba, or even Angola, received; may not even expect veto within UN to stop US measures

2. Source of growing competition for international investment, markets for exports for relatively labor-intensive industrial output

Loss of military support makes externally-financed MK impossible.

III. Within this context, on-going struggle within SA for democratic government.

A. On methodology for this discussion: no blueprints

1. can only outline major problem areas; draw on existing knowledge of SA situation, to suggest middle-level explanations (ie detailed explanations of the causes of specific institutionalized features of the SA's distorted political economy and the way it impoverishes the black majority); and, based on African and third world experiences elsewhere, indicate the possible range of specific solutions by which liberation movement might, step by step, overcome them

2. Future development will, in any event, require participatory research, involving liberation forces in analysis of problems, their causes, and range of possible solutions; ie create the conditions in which they can learn through their own experience what works and what doesn't

B. Some of main problems and their causes = of 2 kinds: immediate and long term:

1. Immediate hindrances to majority rule constitute first priority for action:

a. De Klerk government's slow motion "reforms" = limited;

(1) haven't even made promised changes of releasing political detainees, about 300 out of 3000 out

(2) only now letting first of 40,000 exiles return (and costs of resettlement are high, especially with 40% unemployment) - All supposedly back by April 30 = impossible (UNHCR = some support)

(3) may pass bills abolishing existing racial restrictions on land holding etc; but that doesn't remove economic constraints on African majority

(a) doesn't improve work opportunities, living conditions of workers and peasants -- and unemployed

no restoration of land forcibly removed (even in last 2 years)

note = 3 million = over 10% of black population moved in 3 decades

If chairs say this first

Note SA government, INCL have long experience learned from Kenya, Zambia, Zimbabwe: GOING IN ORDER TO STAY!

the long experience of black voters

(b) Note: so far reforms mainly benefit emerging black "middle class" (small businessmen, intellectuals, professionals)

Counter-revolutionary township violence
b. "Ethnic conflicts" still causing many deaths, disrupting efforts to solve problems;

5000 still remain freed

* Evidence of deliberate state involvement... destruction of civic structures etc. Q of deliberate destabilization policy? bantustans, Revans, unke etc

(1) Reflect underlying structural consequences of apartheid, the separation of peoples into bantustans by alleged "tribal" affiliations, and pitting them against each other in the struggle for jobs, housing, education -- the bare necessities of life.

(2) evidence shows role of police, military, in stirring these up = state role // destabilization (Angola, Mozambique, Zimbabwe)

c. In very difficult circumstances, with scarce funds, personnel, etc., etc., liberation forces still trying to get their own house in order = process of restructuring

restructure

(1) ANC returned, but problems reintegrating with those militants organized in United Democratic Front (UDF) who remained; also problems defining its own positions, eg re future nationalization (lack of funds, personnel)

eg infrastructure - 1000 members

Need to establish mass milit, defend members

(2) Other mass democratic movement forces working to define their own status:

(a) UDF, federation of 700 community groups set up in early '80s while ANC was banned, has disbanded, urged members to join ANC;

i) will they lose the strength UDF had in diversity? No/ok

ii) ANC, in exile, developed organization style; need to work out new democratic forms?

have called for mass civic org. without UDF's problems? = being formed -> mass mobilization // greater democracy & responsive to members

eg. Info. sects 2 people, no plans till sept now > 8, need 30

private (1) in... (2) in... etc

Role of ANC - SACP - COSATU alliance - open
Role of SACP?

(b) COSATU, leading mass-based union federation with strong community links, outspokenly for socialist future, is searching to define working class leadership role

More Mondays!
lost last year than ever before in a strike

This is not a sub-point on ANC here in order

insert on next page
P. 6 under C

(3) Problem of enough sufficiently qualified cadres to take over the many tasks required of a modern industrial political economy, whatever form of government emerges

(a) Blacks = 2/3 of labor force, = 2 million workers with shopfloor and trade union experience, but typically denied opportunities to participate in any aspect of production management;

(b) Systematic denial of education to blacks, especially at university level;

(c) Some 2000 South Africans studying in US, many more elsewhere; but experience in Zimbabwe shows that when return have little knowledge of causes of many problems, far less solutions likely to work in SA context.

2. Program of the
a.

d. Struggle over constitution: what kind is required to facilitate transition to democratic governmental structures in what initially will undoubtedly be some kind of state capitalist political economy:

Not mentioned what went but how get there?
→ democratically elected assembly / mass participation

(1) Issues of bourgeois democratic rights: to vote; freedom of speech, press, organization to defend trade union and community struggles for basic needs; not simply elections, but create participatory state structures to ensure workers, peasants inputs

(2) Issue of property - whose and

what kind? how to ensure sufficient flexibility to permit on-going struggle for continuing rationally-planned institutional change as overcome immediate constraints -

b. How to manage change - democratic principles, or mass involvement.

c. Longer term problems: Basic structural economic issues at national, regional level = Need to build Democratic economy = part of agenda for struggle now

1. The land question = PRIMARY

insult farm p. 5 # constraints

a. Present status

(1) 87 % of land held by whites increasingly by largest white-owned (many of them corporate) farms, employing several hundred thousands of black farm workers, ^{50,000 farms}

(a) produce food for urban domestic markets, even part of bantustan markets; and all agricultural exports

(b) capital-intensive: squeeze out small white farms, black labor = growing black unemployment ^{Notes: Dec. white farmers demonstrated / Pretoria, demanded government help}

(c) Large portion of white-owned land not in use (in Zimbabwe, post-independence studies showed 1/3 to 1/2; evidence suggests similar in SA)

(2) almost half the black population (most of the 40% without jobs) crowded into 10 fragmented infertile bantustans (homelands) without access to basic amenities, far less land for productive activity

b. Re land question: Aim to give blacks who want to farm access to land, plus inputs, extension support, credit, and markets - all of which now favor large white farm owners

(1) Already, as in Zimbabwe, objections to major land redistribution: on grounds would

People participate in decisions which affect their lives // "Can't eat votes" // US exp/inst

90% of white owned land = mortgaged to state, 3 years of interest many haven't paid

reduce productivity, causing high prices and hunger in cities, reducing foreign exchange earnings

(a) Note in Zimbabwe: redistributed about 10% of white owned 1/2 of land, black ministers acquired large white farms; so-called "miracle" of increased peasant farms (= more efficient than white farms) restricted to 15% of "communal areas" in best land zones, while rest of African farmers confront repeated droughts, famine = increasingly impoverished.

(2) ANC land committee struggling with issues; don't know current state of their deliberations, but evidence suggests likelihood of:

(a) Measures to provide unused white-owned land (especially abandoned farms = not best soils) to African peasants, either as individuals or cooperatives (but note need leadership and additional government support if take coop route; ANC leaders don't have too much agricultural experience)

(b) Some of large white farms might be turned into state farms as experimental and training centers, support for small black farmers; but = expensive and require personnel.

(c) Hopefully will press for adequate labor legislation to protect right of farm workers on remaining white farms to organize, get adequate housing, minimum living standard and education; and over time work for increased participation in management of

Land Commission considering plans to ensure working management...
- 9% of state mortgages/land ownerships
90% of white-owned land = mortgaged to state
12 state old equity take over
if required (Mabasa) working farm
states could take over
→ crops, etc.



farms.

(d) To support increased African farming, require state intervention in (1) marketing of crops (note now = white run marketing boards and coops; Africans can't compete, need support) (2) financing (now have African Development Bank which lends a little to Africans on bantustans, need major expansion); (3) extension education (almost entirely now for large white farms); and (4) appropriate inputs and training for Africans (African farm workers operate run most of machinery on big farms, but no experience with management, marketing; for peasant agriculture, require examination of existing farm implement manufacturing industry.)

related to individual strategy

2. industry: key to increasing productivity in all sectors, but presently = distorted, need restructuring

a. Present status: oligopolistic industry = mixture of state-domestic mining finance house capital, and foreign-based TNCs; Some privatization, but mostly turned over state shares to largest mining finance houses, especially Anglo American, strengthening oligopolistic control

Mining: owned by private firms by Anglo-American = 25% largest TNC in world close links to US, UK capital p. 169 - 70 / UK SE bank

1/3 of mining = profitable only because of low black wages = low foreign exch, revenue

Struggle over 'privatization'

Key struggle by COSATU including major strike

Entire - Nike; Zambia export; govt ownership; issue - need to control pigment

(2) Manufactures: All sectors negatively affected by political economic crisis, falling real incomes of mass of SA population = operating at less than capacity

(2) 3 eggs to illustrate different ownership-management arrangements of basic industries

(a) Steel: State firm, ISCOR, established when Nats first got power in 1920s, established iron and steel industry, subsidized steel

inputs for local industry; now a number of joint state-private firms, with technologies from foreign TNCs (US Steel, now USX, established 4 subsidiaries there; last year, US imported \$300 million worth of steel products despite sanctions)

(b) petrochemicals: Foreign oil firms (including Caltex, Mobil, and ~~Shell~~) own refineries alone or with state, import, store oil in violation of UN Sanctions; Shell-BP together with state owned Petrochem makes petrochemicals, though economies of scale force them to import important ingredients. Negotiations under way to buy oil from Angola.

(c) Auto industry: always received state support, required TNCs to use increasing % of local inputs; Anglo-American has acquired Chrysler and Ford subsidiaries, contracts for technologies etc; GM sold its plants to local firm run by its former manager, financed in part by GM loan, and still buys technology from GM.

Note importance of US firms:

(3) smaller industries:

(a) white owned businesses have established smaller plants in engineering, producing parts and materials, and light consumer goods industries = integrated industry // white needs

(b) Note textile firms from Israel, Hong Kong and Taiwan have contracted with bantustans to establish up to 100 "factories" to produce

textiles; in mid-80s, workers got \$7/week (US workers got 7/hr)

(c) blacks own repair shops, small-scale operations in townships and bantustans (eg shebeens, blacksmiths to make small tools, auto repair, and handicrafts, etc.) in an unregistered "informal" sector which probably provides at least an irregular source of income for a significant portion of the 40% or so of workers excluded from the modern sector "unemployed"

TASK

b. How to transform SA's industrial sector to increase productive employment opportunities and raise living standards of mass of population? requires long term perspective and intermediate term plans to change institutions and through them, the allocation of industrial resources - ie formulation of industrial strategy and institutional changes to implement it.

(1) Ingredients of an industrial strategy:

(a) Assess immediate basic needs: = significant potential domestic market if raise African incomes; requires major changes in industrial output to meet needs: housing, clothing, food, etc

(b) Examine changes needed in basic industries to provide material inputs and essential tools to increase productivity in agriculture, housing, transport, and small scale industries producing essential consumer goods; and to provide and consumer goods small industries cannot provide

(c) Work with neighboring 10

= Renosi

states (through SADCC) to increase essential tools and materials they cannot produce in exchange for inputs they can, in the context of mutually beneficial planned expansion of regional trade.

(2) Examine essential institutional changes required to realize proposed industrial strategy:

- (a) Restructure pre-existing state role in basic industries, to implement industrial strategy, involve increased African participation, both through training and employment of qualified top-level personnel; and trade union and community inputs into decision-making

i) Note: this implies strong government support for trade unions; COSATU *forced* ~~and~~ government ~~are~~ considering appropriate labor legislation now, but this has to be viewed as an issue of struggle.

ii) TNC affiliates could take strategic parts for their advantage in this restructuring; but MDM must is pressing for appropriate government guide-lines: eg

- a) ① training African personnel and facilitating participation
② African community organizations in decisions;
- ③ transferring technology SA requirements

Handwritten notes:
Struggle // mass org. ans.
= 2/1 day strike over issue
Scrapping proposed h.R.A. -
now a = what next?

(4) investment in less developed regions

(5) Work out strategies with SADCC

(3) Government support for small scale African businesses (individual or cooperative) to provide productive employment opportunities at appropriate standards and produce essential tools and consumer goods. = research re informal sector *key!*

(4) Government support for SADCC production and trade agreements to facilitate spread of complementary industrialization throughout the region in the context of rising incomes and expanding regional markets

3. Foreign and internal wholesale trade: essential to facilitate specialization and exchange leading to more balanced, integrated national and regional economic development

a. Inherited structures:

(1) ^{"foreign"} SA trade remains predominantly characteristic of third world countries despite its heavy industry: ^{a)} it mainly sells minerals and agricultural produce to US, Europe, and Asia, and buys oil, advanced technologies and weapons; ^{b)} as a regional sub-center, however, it sells manufactures to its neighbors and imports their crude materials

(2) In domestic trade, large wholesale firms, often linked to export import trade, dominate markets; black traders, mainly small scale, in townships and bantustans, have limited credit, sources of supply, so can't

Revised to discuss

done by
individual
structure

effectively compete;

(3) a handful of oligopolistic SA trading institutions, largely tied to AAC, dominate the both SA's and the neighbors' regional trade and play a major role in the export of crude produce

b. Restructuring trade to support balanced integrated national and regional agricultural and industrial development:

(1) again, while the liberation forces, even if they gained state power, lack personnel to immediately impose state control over foreign and wholesale trade, they need now to study how the existing trading institutions work and begin to develop a trade strategy that would support, rather than undermine, their industrial strategy.

(2) Government support for black domestic trading institutions, especially cooperatives, via training, credit, access to supplies

(3) Simultaneously, study regional trading institutions and the changes required to support a regional industrial strategy.

4. Oligopolistic financial control:

a. Present status: SA financial institutions are closely intertwined with mining finance houses on the one hand, and transnational finance capital on the other

(1) eg. Banks: leading banks used to be UK Barclays (with AAC owning 1/3) and UK-Standard; together owned 2/3 of bank assets. Barclays SA affiliate now = AAC's First National Bank of SA; and Standard's SA affiliate also has been localized. But ties and patterns of loans remain same, favor big

*Again: See US SE book
re US Inves.*

*along with
Citi bank assets →*

farms and industries, etc.

(2) Similar situation for insurance cos (leading one = AAC); building societies; pension funds (= important sources of domestically generated capital; will discuss in Q period if anyone interested)

(3) The state has strong central bank, though its board of directors still includes private bank representatives - which imposes fairly strict financial controls on the rand, foreign exchange expenditures, etc. (although how strictly these are enforced to prevent capital flight by the mining finance houses, I wonder)

(4) Existing tax policies = regressive, primarily tax the poor (mostly black) majority to subsidize the social and economic infrastructure enjoyed by the (white) rich minority; will require complete revision

increased indirect taxes in recent period

b. possible measures to restructure: to capture SA generated investable surplus and direct to African agriculture and implementation of industrial strategy?

(1) Probably don't have personnel to nationalize banks immediately, even if wanted to, so need to examine how state can use its leverage through the Central Bank and by other means to pressure banks and other financial institutions into helping to redirect investable surpluses to finance proposed industrial strategy;

(a) Reexamine central bank, foreign exchange controls, regulations of private commercial banks to direct funds to proposed restructuring

(b) Note: SA state established agricultural bank that financed white farmers; can try to restructure that, but need careful study; ^{or set up new one}

(c) Consider other special banks

(2) over time, as train more personnel and increase knowledge of system, assess possibilities of exerting greater direct control.

Immediately

(3) Restructure taxation system = important way to capture surpluses plus increase domestic market by changing income distribution

IV. Summary and conclusion:

A. The struggle for state power is still in the balance, and how it will turn out depends on the ability of the mass democratic movement, especially the ANC and the trade unions, to mobilize mass support to force DeKlerk government to accept meaningful democratic participation;

B. If mass democratic forces win state power, then they will still need to fundamentally restructure the state itself, as well as its underbearer role in shaping institutions in key sectors of the political economy to provide productive employment and rising living standards for the mass of the population,

1. That requires careful analysis and step-by-step restructuring of the institutions that dominate the national commanding heights

2. a process which will inevitably take time and involve an on-going struggle of the mass democratic forces -

a. led by as yet not clearly defined alliance of workers and peasants, but also involving small businesses and intellectuals

b. hence a prime requisite will be to establish and maintain democratic rights to organize labor and other community organizations of all kinds to press for on-going changes

V. Implications for US working class in context of changing

If chair-
at end!

= Part of struggle →
Q on agenda NOW!

✓

international division of labor

A. If SA liberation forces succeed // development

1. will strengthen southern African region (=US size, pop. 100 m) = self-reliant, integrated economy,
2. no longer engage in downward spiralling competition with US workers;; instead = market for 10 X present imports from US = mutually beneficial.

B. Conclusion: US workers, including industrial and service workers, support SA democratic forces' and neighboring countries' efforts to achieve change:

1. Support sanctions now, end US role in Angola
2. Bring pressure to bear on US government:
 - a. Show links to welfare of US people
 - b. establish every possible kind of link with unions, community in SA = work for mutually beneficial controls on TNCs, improved wages, working and living conditions.