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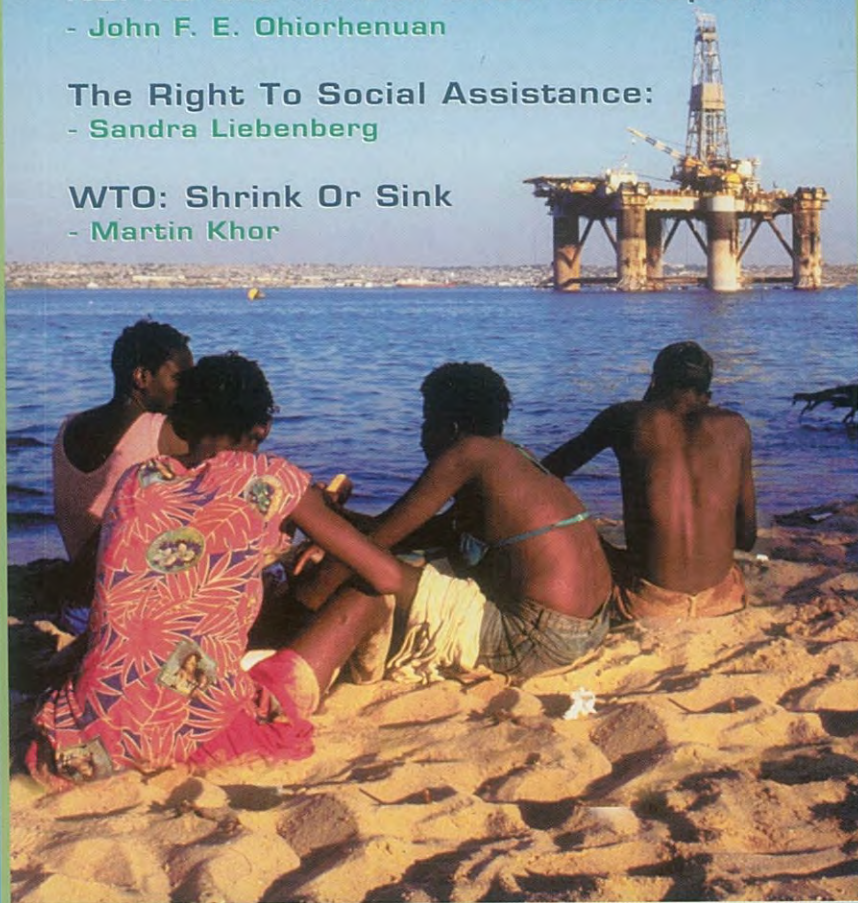
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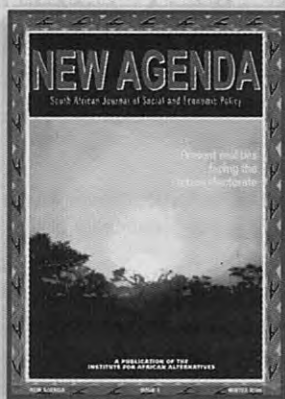
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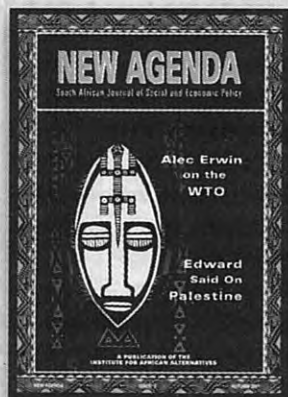
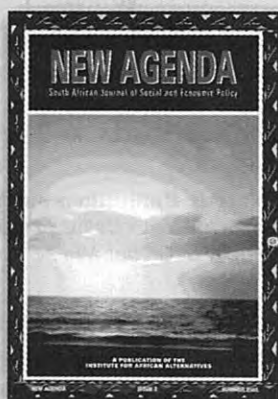
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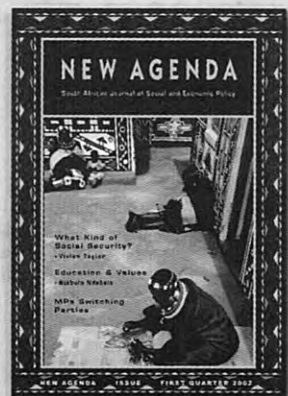
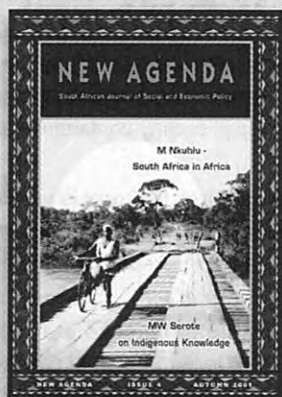
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EDITORIAL

FOCUS ON INDUSTRIAL POLICY

A number of recent developments have focused attention on the issue of industrial or manufacturing strategy. In April 2002, the Department of Trade and Industry (dti) published a document on Integrated Manufacturing Strategy. This was followed by two weeks of public hearings by the Parliamentary Committees concerned with Trade and Industry. Coinciding with this, United Nations Conference on Trade and Development (UNCTAD) released its 2002 Trade and Development Report. A major theme of the UNCTAD report was that "while the share of developing countries in world manufacturing exports, including those of rapidly growing high tech products has been expanding rapidly, the income earned from such activities does not appear to share this dynamism."

The background to all of this discussion in South Africa is the shift in the focus of economic policy: the pursuit of macro economic stability to micro economic reform which was announced by President Thabo Mbeki in his State of the Nation address in 2001.

The shift in focus to micro economic or real economy issues has been the basis on which greater common ground on economic policy issues have emerged among key stakeholders and particularly among the different components of the tripartite alliance. This has created expectations of a potentially fruitful Growth and Development Summit later on this year (2002).

The dti's Integrated Manufacturing Strategy document was better received by many stakeholders than an earlier version which was published last year. A degree of consensus was evident in the public hearings on at least some issues. This included the need to promote linkages between core manufacturing sectors and other activities across and up and down integrated value matrixes; the need to promote a shift from dialogue between key stakeholders towards collective action and the need for dti support measures to be provided in customised packages in support of strategies developed in processes involving stakeholders within integrated value matrixes.

Much, however, remains the subject of debate and/or requires further elaboration. A major theme in the dti document was the need to promote greater knowledge intensity. There can be no doubting the increasing importance of information and communication technology (the significance of the rise of informationalism) and the reality that Information Communication Technology (ICT) derived knowledge is now the major driver of productivity increases in all sectors.

Writers such as Manuel Castells have argued that the "informational revolution" is as significant as was the industrial revolution in terms of its impact on the way in which production is organised as well as on the way in which cross-border economic activity now takes place. The precise meaning of the application of knowledge is however in need of further elaboration and debate.

The hearings highlighted a number of tensions which exist in our economic policy. These arise not just from the subjective views of policy-makers but are also rooted in the objective circumstances of the economic challenge that faces us. There is a tension between promoting competitiveness in the more developed existing industrial sector and developing productive activity in historically underdeveloped areas and among disadvantaged people. Linked to this is a tension between export-orientated sectors and sectors producing basic needs for the domestic market. Both face major new challenges in the era of informationalism.

The established industries are facing a need to restructure themselves in the face of heightened foreign competition and also to promote higher value added exports in a context where the terms of trade have turned sharply against basic products. The dti's Integrated Manufacturing Strategy document showed that South Africa is far from immune from the problems which the UNCTAD report was highlighting. Significant increases in manufactured exports between 1994 and 2000 have not been matched by proportional increases in output, while as the IMS Document notes, "the manufacturing sector has been consistently shedding labour" (p14). Several of the underlying causal factors identified in the UNCTAD report clearly apply to South Africa including problems faced by protectionist barriers in developed countries against products from developing countries where the latter have comparative or competitive advantages.

The hearings also identified a number of other aspects. The trend by former conglomerates in South Africa to transnationalise is also leading to a process whereby the location of some of the knowledge intensive aspects of the production process, including research and development, are being located in foreign countries.

The informational revolution is both creating opportunities and new challenges in the long-term objective of promoting productive activity in underdeveloped areas. The issue of strategic identification of new opportunities is clearly a major challenge. The public hearings suggested that this challenge may well require the application of more knowledge. A concrete example will illustrate the point. The Industrial Development Corporation has a mandate which requires it to address opportunities not yet addressed by the market. The IDC has been very effective in acting ahead

of markets in promoting large industrial projects like Saldanha Steel and Mozal. But it is also increasingly identifying its role as being to promote SME development and to contribute to the integrated strategies for rural development and urban renewal. A recommendation likely to emerge from the hearings is that there is a need for the IDC to act much more strategically in identifying opportunities not yet addressed by the market for SMEs and local economic development in impoverished areas.

There are a few who would argue that South Africa or any other developing country can afford to pursue one part of these tensions to the total exclusion of the others. The real issue is to find an appropriate balance between a competitiveness strategy aimed at existing industries and development policies aimed at creating new productive activities in historically disadvantaged areas and among disadvantaged people. The issue is one of balance and of emphasis. The industrial policy hearings heard a strong case suggesting a need for industrial policy to focus more decisively on developmental aspects than it has up to now. More direct and concrete results in terms of employment creation, employment retention and also the creation of new economic opportunities for people who are currently disadvantaged and marginalised are clearly urgently needed.

In the words of one committee member, "our policies cannot be only for men in suits." They have to mean something to the majority of the people of the country as a whole.

NEPAD AND DIALECTICS OF AFRICAN UNDER-DEVELOPMENT

Keynote Address By John F. E. Ohiorhenuan
At The Tribute To The Late Professor Bade Onimode

John F.E. Ohiorhenuan is the Resident Representative of the United Nations Development Programme in South Africa.

Introduction

"The salvation of Africa lies primarily in Africa and with Africans themselves. Optimism must become a resounding virtue and widely disseminated psychological trait - even in the face of challenges Robust optimism about Africa's future is a major requirement for the *self-confidence* that Africans need so badly to deal with the challenges of this historical juncture. Regardless of what Africa's detractors may say or do, Africans themselves must never lose faith in their own capacity and ability to change the course of events - to achieve the willed future for themselves."

This may sound like an introduction to NEPAD (New Partnership for Africa's Development). But, no. That was Bade Onimode in 1992, in *A Future for Africa: beyond the politics of adjustment*. But Bade was no naïve optimist. Indeed, he was very clear on the difference between optimism and self-deception. And he would have taken NEPAD to task. Unfortunately, we'll probably never know exactly what he would have said. Since I cannot pretend to speak for him, I will merely attempt a critical review of NEPAD in the context of one of Bade's main professional pre-occupations. Much of his work stressed the futility of African over-reliance on external development partners and the imperative of self-reliance.

An Overview of Nepad

The immediate apprehension of NEPAD is that it is a merger of the Millenium Africa Recovery Plan (MAP) proposed by Presidents Mbeki (South Africa), Obasanjo (Nigeria) and Bouteflika (Algeria) and the OMEGA plan proposed by President Wade of Senegal. At the 37th OAU Summit held in Lusaka in July 2001, the merged programme was approved as the New African Initiative (NAI). It was endorsed by leaders of the G-8 the same month in Genoa. Its Policy Framework was agreed by the Heads of State Implementation Committee at Abuja in October 2001. The name NEPAD was adopted at that meeting.

However, although essentially unacknowledged, NEPAD's antecedents go back at least to the mid-seventies with the publication in 1976 of the ECA's ***Revised Framework of Principles for the Implementation of the New International Order in Africa***. The ***Revised Framework*** proposed the pursuit of an African development agenda based on four principles - self-reliance, self-sustainment, democratisation of the development process and equity in the distribution of the fruit of development (Adedeji 2002). This framework provided the intellectual foundation for ***The Lagos Plan of Action for the Economic Development of Africa 1980 - 2000*** (OAU 1981).

In 1989, against the background of structural adjustment programmes in Africa, the ECA, with the financial support of UNDP, published ***The African Alternative Framework to Structural Adjustment Programmes for Socio Economic Recovery and Transformation (AAF-SAP)***. Professor Onimode was one of the main architects of AAF-SAP. The document identified a strategic framework and outlined some alternative policy directions, which anticipate NEPAD in many respects. In particular, AAF-SAP's strategic focus includes human-centred development, democratisation, and accountability, transformation of Africa's production structure, regional integration and domestic resource mobilisation (Onimode 1992).

In a sense, therefore, NEPAD was building on this foundation even as it blamed the failure of past efforts partly on "questionable ownership" by Africans. Be that as it may, perhaps the main distinguishing feature of NEPAD is its emphasis on a "new partnership" with the North and with multilateral organisations. To a lesser extent, NEPAD is also new in the extent to which it pays particular attention to conflict prevention and management.

Essentially, NEPAD's strategic framework consists of five main elements:

- ▼ First is the insistence on African ownership, responsibility and leadership and the building of capacity to play this role.
- ▼ Second is the focus on developing a new partnership with the industrialised countries and multilateral organisations on the basis of mutual commitments and obligations.
- ▼ Third is the commitment to nurturing an enabling socio-political environment by minimising conflict and promoting democracy and human rights.
- ▼ Fourth is the commitment to an enabling economic environment by ensuring macroeconomic stability and maintaining transparency and accountability in institutional support mechanisms for the market.
- ▼ Fifth is promoting sub-regional and continental economic integration.

NEPAD describes itself as a pledge by African leaders to place the continent on a path of sustainable development, anchored on the determination of Africans to

Fig 1: The Structure of NEPAD The New Partnership for Africa's Development



Based on information in:

(a) *The New Partnership for Africa's Development (NEPAD)*, Oct. 2001.

(b) *NEPAD Background 1: Introducing the New Partnership for Africa's Development* (<http://www.dfa.gov.za/docs/nepad1.htm>)

extricate themselves from under-development and global marginalisation. Accordingly, it declares that African leaders will take joint responsibility for:

- ▼ Strengthening mechanisms for conflict prevention, management and resolution;
- ▼ Promoting and protecting democracy and human rights;
- ▼ Restoring and maintaining macroeconomic stability;
- ▼ Instituting transparent legal and regulatory frameworks for financial markets;
- ▼ Revitalising and extending education, technical training and health services, with high priority to HIV/AIDS, malaria and other communication diseases;
- ▼ Building the capacity of African states to set and enforce the legal framework and maintain law and order; and
- ▼ Promoting the development of infrastructure and its diversification into agro-industries and manufacturing.

As well as staking a claim for Africa's destiny, NEPAD also consciously locates itself within the global consensus on development encapsulated in the Millenium Development Goals adopted at the 56th Session of the UN General Assembly in September 2001 (Ohiorhenuan 2002). In a sense, therefore, NEPAD is not only an assertion of ownership but also a full embrace of the ostensible goodwill of the international community.

The Complexity and Ambiguity of Nepad

While the logic and underlying philosophy of NEPAD are clear, its translation into a programmatic framework is less so. The language itself is problematic; shifting as it does between initiatives, sectoral priorities, (fast-tracked) programmes and projects. As shown in Figure 1, NEPAD is structured in three main parts, namely:

- ▼ The programme of action;
- ▼ An elaboration of the idea of "partnership"; and
- ▼ The implementation framework.

The specification of the NEPAD programme is in three parts: -

- ▼ First, it describes so-called "conditions for sustainable development".
- ▼ Second, it identifies sectoral priorities.
- ▼ Third, it addresses the question of resource mobilisation.

The segment on conditions for sustainable development contains three initiatives:

- ▼ Peace and security;
- ▼ Democracy and political governance; and
- ▼ Economic and corporate governance.

It also talks of strengthening regional economic groupings and providing essential regional public goods.

NEPAD's specification of sectoral priorities includes virtually all sectors. It also includes themes that are, by their nature, multi-sectoral, such as "poverty reduction". Ironically, agriculture which employs, perhaps two-thirds of Africans, is not disaggregated. In each sector, there is a long list of actions, but it is not clear who is to take such actions.

The resource mobilisation strategy is in two parts: a capital flows initiative and a market access initiative. The capital flows initiative deals with domestic savings, debt relief, ODA and private capital flows. The market access initiative deals *inter alia* with issues of production diversification, promotion of foreign direct investment and promotion of African experts.

NEPAD's partnership strategy calls for the negotiation of a new relationship with the industrial countries and multilateral organisations. It also hopes to maintain the myriad of existing Africa-oriented international initiatives such as the Poverty Reduction Strategy Papers (PRSP) and the Africa Growth and Opportunity Act. It expects, however, to "rationalise" these to ensure that real benefits to Africa flow from there.

NEPAD has put in place a three-tier implementation structure consisting of the Heads of State and Government Implementation Committee; the Steering Committee; and the Secretariat.

The **Heads of State and Government Implementation Committee** is currently chaired by President Obasanjo, with Presidents Wade and Bouteflika as vice-chairs. It comprises 15 states (3 states per OAU region), including the 5 initiating states (i.e. South Africa, Nigeria, Algeria, Senegal and Egypt). Currently the 15 states are: Algeria, Egypt, Tunisia (representing North Africa), Nigeria, Senegal, Mali (representing West Africa), Cameroon, Gabon, Sao Tome & Principe (representing Central Africa), Ethiopia, Mauritius and Rwanda (representing East Africa) and South Africa, Botswana and Mozambique (representing Southern Africa). It will meet three times a year and report annually to the OAU/AU Summit. Its mandate is to set policies, priorities and the Programme of Action.

The **Steering Committee** is composed of two personal representatives of each of the five initiating Presidents, and one personal representative each of the 10 non-initiating members of the Implementation Committee. Its role is to develop terms of reference for identified programmes and projects and to oversee the Secretariat. It is also mandated to develop a strategic plan for marketing and communications at the national, sub-regional, continental and international levels.

The **Secretariat** consists of a small core of full-time staff based in South Africa. Its primary functions are liaison/co-ordination and administration/logistics. It is also mandated to outsource work on technical detail to lead agencies and/or continental experts. Further, a number of **Task Teams and Sub-Committees** have been established. The Task Teams are to develop specific detailed implementable projects and programmes in the priority areas identified, and the Sub-Committees are to co-ordinate certain thematic initiatives. The Five Task Teams are: 1) Capacity building for peace and security with OAU as the lead agency; 2) Economic and corporate governance with ECA as the lead agency; 3) Infrastructure with ADB as the lead agency; 4) Central bank and financial standards with ADB as the lead agency; 5) Agriculture and market access with OAU as the lead agency. The five Sub-Committees are: 1) Peace, Security, Democracy and Political Governance co-ordinated by South Africa; 2) Economic and Corporate Governance/Banking and Financial Standards/Capital Flows co-ordinated by Nigeria; 3) Market Access and Agriculture co-ordinated by Egypt; 4) Human Resources Development co-ordinated by Algeria; and 5) Infrastructure co-ordinated by Senegal. The AU Chair and Secretary General are *ex-officio* members of the Implementation Committee, and the AU Secretariat participates in Steering Committee Meetings.

The complexity of NEPAD's programme description is at least at two levels: First, is its wide-ranging coverage and the absence of any criteria for prioritisation. And the proposal, in the section on implementation, to "fast-track" programmes relating to communicable diseases, ICT, debt reduction and market access does not provide more clarity. In the end, therefore, the NEPAD programme does not emerge as a coherent set of activities to be implemented in the traditional sense. The champions of NEPAD have continued to stress the need for "concrete implementable projects" in each priority area. But, without focus and strategic prioritisation, there is a danger of ending up with no more than a shopping list. Second, inherent in the construction of the programme are severe problems of assignment and co-ordination. It is not clear who will be responsible for doing what. The programme consists not only of project activities but also of other actions such as research, analysis, negotiation and supervision. The role of the task teams and sub-committees in actually getting things done is also not clear. A process is specified for the formulation of projects:

- ▼ A project leader or task team co-ordinator will be appointed for each project;
- ▼ Expertise will be drawn mainly from African countries on the basis of relevant experience;
- ▼ Project leaders and task teams will work closely with African countries, regional institutions, relevant multilateral institutions and development partners;
- ▼ Terms of reference with time frames will be prepared and submitted to the Steering Committee for each project.
- ▼ New initiatives/projects will be approved only in cases where the management structures of the initiative are convinced that it can add value.

This roadmap does not deal, however, with how specific responsibilities are assigned; how the multitude of agents will be co-ordinated; who the approving agent(s) is/are, and indeed, with what specific *authority* NEPAD's activities are being undertaken.

The question of authority, is perhaps, the fundamental challenge of NEPAD. NEPAD emerged as a proposal of a few African Heads of State. While it was approved by the OAU, its status is still not clear. It is referred to in various documents as an "initiative" of the OAU, a "project" of the OAU or "the implementation mechanism" for the AU. At the April 2002 meeting of the Implementation Committee in Abuja, NEPAD was declared a "mandated initiative" of the African Union. This clearly suggests its subsidiary relationship to the AU. But, by urging greater co-operation and co-ordination between the AU and NEPAD Secretariats, the meeting implied a somewhat more co-equal relationship. With such ambiguity of institutional form, NEPAD can hardly become the "veritable mechanism for the reconstruction of Africa" that its champions want it to be.

This ambiguity is further reflected in the fact that NEPAD is projected simultaneously as a club (membership of which must be earned) and as an inclusive association (membership of which derives existentially from the OAU). The former image appears to be preferred by many of Africa's powerful external partners, some of whom saw the recent elections in Zimbabwe as a litmus test of NEPAD's credibility. Indeed, there are several references in the NEPAD document to "participating countries" arising, perhaps, from an earlier perception of a "recovery plan" for Africa in which participation would be based on specific criteria.

For most African leaders, however, there is a sense of entitlement to participate in NEPAD as an African initiative, even as they are somewhat resentful of not themselves being in the frontline. This entitlement claim propels the notion of an inclusive association. But tensions remain in the lack of clarity on the respective roles of the OAU/AU chair and the NEPAD chair as well as in the roles of the OAU Secretary General and the NEPAD Steering Committee Head.

A more subtle but no less worrying ambiguity lies in the fact that the organisational structure assigns leadership of task teams to independent, unrelated agencies, and of subcommittees to countries. Some rationalisation is clearly called for. While the goodwill of UN agencies and multilateral financial institutions can be assumed, NEPAD is only one of several clients to which they must attend. Moreover, it is difficult to subordinate sub-themes led by Heads of State to the secretariat. Therefore, either the secretariat will also have to service the different Heads of State, or they will set up mini-secretariats using their own resources, which will compound co-ordination problems.

Faith, Hope And Charity: Financing Nepad

For NEPAD, the two pre-requisites for sustainable development are peace, security and good governance on the one hand, and resource mobilisation on the other hand. As "conditions for development", few would disagree. However, NEPAD's resource mobilisation strategy does not seem to have been based on historical reality or on a full apprehension of the dynamics of investment and growth.

On capital flows, NEPAD argues that:

To achieve the estimated 7 percent annual growth rate needed to meet the IDGs Africa needs to fill an annual resource gap of\$64 billion The bulk of the needed resources will have to be obtained from outside the continent (para 147).

This claim about the source of developmental resources is not sustainable historically. External resources can only play a supplemental role.

ODA flows have been on a downward path since the early 1990s. From an average level of about 0.34 percent of their combined GNP in 1993, aid from DAC donors fell to about 0.24 percent in 1998. For sub-Saharan Africa net receipts of ODA dropped from about \$17.5 billion in 1993 to \$14 billion in 1998. As a percentage of its GNP, ODA to sub-Saharan Africa fell from 5.7 percent in 1993 to 4.1 percent in 1998 (World Bank 2000). Several reasons may be adduced for the downward trend. But, perhaps the most important is that the collapse of the communist state and the phenomenon of globalisation have combined to greatly strengthen the logic that the private sector should be the main source of financial flows to developing countries.

But, private capital flows have also not been too keen on Africa. For instance, net private capital flows to sub-Saharan Africa was \$3.5 billion in 1998, compared to \$67 billion for East Asia and the Pacific, \$53 billion for Latin America and the Caribbean, and \$9 billion and \$8 billion respectively for the Middle East and North Africa, and South Asia (World Bank 2000).

Against this background, it is surprising that NEPAD expects the bulk of its annual estimated \$64 billion investment requirements to come from outside the continent. Unfortunately, it is this naive optimism regarding the logic of capital flows that has pushed NEPAD into a trajectory of extraversion. Professor Onimode would have agreed that NEPAD should be based on the aspirations of the African constituency rather than the expectation of an external constituency that is *objectively* unreliable.

If economic and political conditions are conducive to profit, private capital will respond: it cannot be instructed by governments. Moreover, several studies have shown that foreign capital follows domestic capital. NEPAD is correct that improved governance is a necessary requirement for increased capital flows (para 147). But this is not a matter for negotiation with external partners. It is a matter that needs to be settled with the ordinary African people.

Were African leaders to actually commit to responsible governance, guarantee basic freedoms, and nurture their citizens' creativity, the bulk of needed resources would be generated domestically, flight capital would return, and foreign capital would follow.

With respect to aid, charity can never be a basis for partnership. The secular decline in ODA is partly a manifestation of shifts in perceptions of national interests on the part of major donors. The clamour, over the last 10 years, about aid effectiveness may be no more than the use of voice to justify exit, to use Hirschman's terminology. The recent Financing for Development conference in Monterrey appears to have generated a new commitment to ODA. However, the actual sums of money indicated fall far short of African development requirements. Nor should they be seen as a substitute for domestic resources.

Debt reduction is the third dimension of NEPAD's external resource mobilisation. The picture is indeed gloomy for many African countries. With total debt service running at 5 percent of GDP and 14 percent of exports in 1999 the burden of debt is a definite constraint on development. NEPAD intends to "secure an agreement, negotiated with the international community, to provide debt relief for countries participating in (NEPAD)". Bade would have disagreed with the self-imposed conditionalities implied in the NEPAD argument that:

The debt initiative will require agreed poverty reduction Strategies, debt strategies and participation in the economic governance initiative to ensure that countries are able to absorb the extra resources.

He would have insisted on a more activist approach based on the notion that the debt crisis is fundamentally political. He would have argued for hard-headed negotiations rather than an approach that implies that Africa is being done a great favour.

Conclusion

NEPAD's origins lie in the welcome undertaking that Africa was ready to confront its endemic conflict and instability and to engage the world as an equal partner. However, its unnecessarily complex substantive and institutional form could turn out to be a fundamental constraint. Moreover, the extraverted nature of its campaign agenda may undermine the logic of African ownership, which is NEPAD's, *raison d'être*. Unless African leaders' search for partnership is grounded in the aspirations and support of their people, NEPAD will fall far short of its possibilities.

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AFRICA: LIVING ON THE FRINGE

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Let us consider first some facts which are hardly mentioned by the incense-bearers of globalisation. In 1990, the ratio of extra-regional trade to GDP for Africa was 45.6 percent while it was only 12.8 percent for Europe; 13.2 percent for North America; 23.7 percent for Latin America; and 15.2 percent for Asia. These ratios were not significantly different throughout the twentieth century. The average for the world was 14.9 percent in 1928 and 16.1 percent in 1990.

How can we explain this curiosity that Africa is apparently even more integrated in the world system than any other developed or developing region? Of course, the levels of development as measured by per capita GDP are highly unequally distributed, and from that point of view, Africa is the poorest region in the modern world system, its GDP per capita amounting to only 21 percent of the world average and 6 percent of that of the developed centres. Therefore, the high proportion of Africa's extra-regional trade with respect to its GDP would reflect the small size of the denominator of the ratio. At the same time, Africa's exports (as well as imports) represent only a minute proportion of the world's trade. And this is exactly the reason why Africa is considered marginal in the world system i.e. having little importance (the attitude being that the world could live easily without Africa)

The concept according to which a country or region is qualified as marginalised if its quantitative weight in the global economy is small, assumes implicitly that the logic of the expansion of the global capitalist economy pursues the maximisation of production (and therefore also of trade). This assumption is utterly wrong. In fact, it matters little that Africa's exports have represented only a minute part of world trade in the past and today.

Capitalism is not a system that sets out to maximise production and productivity, but one that chooses the volumes and conditions of production that maximise the profit rate of capital. The so-called marginalised countries are, in fact, the super-exploited in a - and therefore, impoverished countries, not countries located at the margin of the system.

The analysis needs to be completed on other grounds too. The relatively modest ratio for the developed areas - North America (the United States and Canada) and Western-Central Europe (the European Union, Switzerland, and Norway) - is associated not only with the highest levels of development but also with qualitative characteristics that ought to be spelled out: all developed countries have been built historically as auto-centred economies. I introduce here an essential concept, which is ignored by conventional economics.

Auto-centred is synonymous with "basically inward looking," not with "autarchic" (closed). That means that the process of capitalist accumulation in those countries that have become the centres of the world system has always been and, I submit, continues to be and will continue to be so in the visible future - simultaneously inward looking and open, and in many cases aggressively open (imperialist). That means that the global system has an asymmetric structure: the centres are inward looking; auto-centered and simultaneously integrated in the global system in an active way (they shape the global structure); while the peripheries are not inward-looking (not auto-centered) and therefore integrated in the global system in a passive way (they "adjust" to the system, without playing any significant role in shaping it). That vision of the real world system is totally different from the one offered by conventional thought, which superficially describes the world as a pyramid constructed of unequally wealthy countries ranking from the lowest levels of GDP per capita to the highest ones.

My conclusion from this conceptualisation is that all the regions of the world (including Africa) are equally integrated in the global system, but they are integrated into it in different ways. The concept of marginalisation is a false one, which hides the real question, which is not to which degree the various regions are integrated, but in which way they are integrated.

In addition, the figures referred to above indicate that the degree of integration in the world system has not dramatically changed throughout the whole twentieth century, as is being suggested by the dominant fashionable discourse on globalisation. There have been ups and downs, but the trend that reflects the progress of the degree of integration has been continuous and rather slow, not even accelerating throughout the last decades.

That does not negate the fact that society has developed through various phases, in relation to the changes required by the centres of the system i.e. dominant global capital.

On the basis of the methodology suggested here, we can now look into the various phases of Africa's integration in the global system and identify the specific ways in which that integration operated for each of the successive phases analysed.

Phases of Africa's Integration in the Global System

Africa was integrated into the global system from the very start of the building of that system, in the mercantilist phase of early capitalism (the sixteenth, seventeenth and eighteenth centuries). The major periphery of that time was the colonial Americas where an outward-looking export economy was established, dominated by European Atlantic merchant capitalist interests. In its turn, that export economy, focused on sugar and cotton, was based on slave labour. Therefore, through the slave trade, large parts of Africa south of the Sahara were integrated into the global system in a most destructive way. A good part of the later "backwardness" of the continent is due to that form of "integration" which led to a decrease in population to the extent that it is only now that Africa has recovered the proportion of the global population of the world it probably had around 1500 A.D. It has led also to the dismantling of earlier larger state organisations which were replaced by small brutal military systems and permanent war between them.

In America itself, the mercantilist form of integration in the world system destroyed the potential for further development in many devastated regions. During that phase of early capitalism, the highest rates of growth were achieved in areas such as the Caribbean, North-East of Brazil, and the southerly North American British colonies. An expert of the World Bank, if he had visited those areas at that time, would have written about their "miracle" (the value of Saint Domingue's exports of sugar was, at a time, larger than the total exports of England!) and concluded that New England, which was building an auto-centered economy, was on the wrong track. Today Saint Domingue is Haiti and New England has become part of the United States!

The second wave of integration of Africa in the global system was that of the colonial period, roughly from 1880 to 1960. Once conquered, it was necessary to "develop" the continent in question. At this juncture, both the reasonings of world capitalism - what natural resources do the various regions of the continent possess? - and those of the previous history of African societies come into play. It seems to me that in this context we should understand each of the three models of colonisation operating in Africa: (1) the trading economy incorporating a small peasantry into the world tropical products market by subjecting it to the authority of a market of controlled oligopolies, making it possible to reduce the rewards for peasant labour to the minimum and to wasteland; (2) the economy of Southern Africa's reserves organised around mining, supplied with cheap labour by forced migration coming precisely from

the inadequate "reserves" rooted in traditional rural subsistence; and (3) the economy of pillage which the concessionary companies embarked upon by taxing products from elsewhere - where the local social conditions did not permit the establishment of "trading," nor mineral resources justify the organisation of reserves designed to supply abundant manpower. The Congo basin belonged to this third category in the main.

The results of this mode of insertion into world capitalism would prove catastrophic for Africans. First it delayed - by a century - any commencement of an agricultural revolution. A surplus could be extracted from the labour of the peasants and from the wealth offered by nature without the investments of modernisation (no machines or fertiliser), without genuinely paying for the labour (reproducing itself in the framework of traditional self-sufficiency), and without even guaranteeing the maintenance of the natural conditions of reproduction of wealth (pillage of the agrarian soils and the forest). Simultaneously, this mode of development of natural resources tapped into the framework of the unequal international division of labour of the time, excluding the formation of any local middle class. On the contrary, each time that the latter started the process of its formation, the colonial authorities hastened to suppress it.

As a result, today most so-called less developed countries are located in Africa. The countries that today make up the "fourth world" are, for the large part, countries destroyed by the intensity of their integration in an earlier phase of the global expansion of capitalism. Bangladesh, the successor state of Bengal, which was the jewel of British colonisation in India, is a good example. Others have been - or still are - peripheries of peripheries.

For example, Burkina Faso has supplied most of its active labour force to Cote d'Ivoire. If one had taken into consideration the two countries as, in fact, constituting a single region of the capitalist system of the epoch, the characteristic rates of the "Ivory Coast miracle" would have had to be divided by two. Emigration impoverishes the regions that feed its flow and thus support the costs of bringing up youth who are lost the moment they become potentially active, as well as the costs of supporting the old after their return. These costs, much greater than the "money orders" sent to the families by the active emigrants, are almost always forgotten in the calculations of our economists. There are only a few countries which are "poor" and not integrated or only weakly integrated into the global system. Perhaps, previously one could mention North Yemen or Afghanistan, but their integration is now underway, like that of others, producing nothing more than a "modernisation of poverty" - the shantytowns taking on the landless peasants.

The weaknesses of the national liberation movements and of the inheritor states of colonisation date back to this colonial fashioning. They are therefore not the products of pristine pre-colonial Africa, which disappeared in the storm, even though the ideology of global capitalism endeavours to derive its legitimacy from this convenient myth in accordance with its usual racist discourse. The criticisms of independent Africa, of its corrupt political middle classes, of the lack of economic direction, and of the tenacity of rural community structures forget that these features of contemporary Africa were forged between 1880 and 1960.

No wonder then that neo-colonialism has perpetuated these features. The form that this failure took is quite fully defined by the limits of the famous Lome Agreements which have linked sub-Saharan Africa to the European Union. These agreements have indeed perpetuated the old division of relegating independent Africa to the production of raw materials, at the very time when, during the Bandung period (from 1955 to 1975), the Third World was elsewhere embarking on the industrial revolution. They have made Africa lose about 30 years at a decisive moment of historic change. Undoubtedly, the African ruling classes were partly responsible for what would lead to the envolution of the continent, particularly when they joined the neo-colonial camp against the aspirations of their own people, whose weaknesses they exploited. The collusion between the African ruling classes and the global strategies of imperialism is therefore the ultimate cause of the failure.

“Development” in Africa

Yet, having reconquered their political independence, the peoples of Africa embarked as of 1960 on development projects, the main objectives of which were more or less identical to those pursued in Asia and Latin America despite the differences of ideological discourses which accompanied them here and there. This common denominator is easily understood, if we recall that in 1945 practically all Asian (excluding Japan), African (including South Africa) and - although with a few nuances - Latin American countries were still bereft of every industry worth this name (except mining here and there), largely rural by the composition of their population, governed by archaic regimes, whether land-owning oligarchies or colonial authorities.

Beyond their great diversity, all the national liberation movements had the same objectives of political independence, modernisation of the state, and industrialisation of the economy.

There is today a great temptation to read this history as that of a stage of the expansion of world capitalism, which was said to have performed certain functions

attached to primitive national accumulation, thereby creating the conditions for the next stage, which we are now supposed to be entering, marked by opening up to the world market and competition in this field.

I will not suggest that we should yield to this temptation. The dominant forces in world capitalism have not "spontaneously" created the model(s) of development. This "development" was imposed on them. It was the product of the national liberation movement of the contemporary Third World. The reading which I propose therefore stresses the contradiction between the spontaneous and immediate trends of the capitalist system, which are always guided only by the short-term financial gain that characterises this mode of social management, and the longer-term visions which guide the rising political forces, in conflict for that very reason with the former. This conflict is certainly not always radical, as capitalism adjusts itself to it, even profitably. But it only adjusts to it, it does not generate its movement.

All liberation movements in Africa shared this modernist vision, which for that very reason I qualify as capitalist. Capitalism by its concept of modernisation was expected to produce the relationships of production and the social relationships basic and peculiar to that system: the wage relationship, business management, urbanisation, patterns of education, the concept of national citizenship. No doubt, other values, characteristic of advanced capitalism, like that of political democracy, were woefully lacking, and this was justified by the exigencies of prior initial development.

All countries of the region - radicals and moderates - elected by the same formula the single party, farcical elections and leader/founder of the nation. Yet, in the absence of a middle class of businessmen, the state - including its technocrats - was expected to substitute itself. But sometimes also, the emergence of the middle-class was held in suspicion on account of the priority that the latter would give to its immediate interests over the longer-term ones under construction. Suspicion became, in the radical wing of the national liberation movement, synonymous with exclusion. This radical wing then believed naturally that its project was that of the "building of socialism." It then took up the Soviet ideology.

If we adopt the criterion of the national liberation movements, that is, "national construction," the results are, on the whole, debatable. The reason is that whereas the development of capitalism in earlier times supported national integration, globalisation operating in the peripheries of the system, on the contrary, breaks up societies. However, the ideology of national liberation ignored this contradiction, having been enclosed in the bourgeois concept of "making up for historic backwardness," and conceiving this catching up by passive participation in the international division of labour (and not trying to modify it by delinking).

Depending on the specific character of pre-capitalist pre-colonial societies, the disintegration that took place was more or less dramatic. In Africa, whose artificial colonial demarcation did not respect the previous history of its peoples, the disintegration wrought by capitalist peripherisation made it possible for ethnicism to survive, despite the efforts of the ruling class following national liberation to get rid of its manifestations. When crisis came, suddenly destroying the increase in the surplus which had enhanced the financing of the trans-ethnic policies of the new state, the ruling class itself broke up into fragments which, having lost every legitimacy based on the achievements of "development," tried to create new bases for themselves often associated with ethnic retreat.

While a number of countries in Asia and Latin America did embark during those "decades of development" of the second half of the twentieth century on a process of industrialisation which turned out in some cases to be competitive on global markets, "successful development" (in fact growth without development) remained in Africa within the old division of labour i.e. providing raw materials. The oil-producing countries are a good example of this, since other major mineral resources, such as copper, suffer a long structural demand crisis, but this can also be seen in some "tropical agricultural" societies, such as Cote d' Ivoire, Kenya, and Malawi. These were shown to be "brilliant successes."

In fact, they had no future, as they belonged to the past from the very start of their prosperity. Therefore, most of those experiences turned out to be unsuccessful even within the limits of the old division of labour. This is the case in most of sub-Saharan Africa. These difficulties were not necessarily the product of "bad policies," but of objective conditions. For instance, this type of development had already been achieved in colonial times and reached its ceiling by 1960. This is the case of Ghana: the Cote d' Ivoire miracle was just a matter of "catching up" with colonial West African coast achievements.

The End of a Century

What followed the erosion of the national development projects of the 1960s and 1970s is well documented. The starting point was the brutal reversal in the balance of social forces, to the benefit of capital, which occurred in the 1980s. Dominant capital, as represented by the transnational corporations (TNCs), moved into the offensive, operating in Africa through so-called structural adjustment programmes enforced throughout the continent since the mid-1980s. I say so-called because those programmes are more conjunctural than structural, their real and exclusive target being the subordination of the economies of Africa to the constraint of servicing the high external debt, which in its turn, is to a large extent the very

product of the stagnation which started appearing in the less developed countries along with the deepening crisis of the global system.

During the two last decades of the century, average rates of growth of GDP have fallen roughly to half of what they had been in the previous two decades, for all regions of the world, Africa included, except Eastern Asia. It is during that period of structural crisis that the external debt of Third World countries (and Eastern Europe) started growing dangerously. The global crisis is indeed characterised by the growing inequality in the distribution of income, high rates of profits, and therefore a growing surplus of capital which cannot find an outlet in the expansion of the productive systems.

Financial alternative outlets have to be created to avoid a devaluation of capital. The U.S. deficit and external debt of Third World countries are responses to the system. The burden has now reached unsustainable levels. How could a poor African country earmark half or more of its exports simply to pay the interest on its debt, and simultaneously be requested to be "more efficient" and "adjust"? Let us remember that, after World War I, the payment of Germany's reparations represented only 7 percent of the exports of that industrialised powerful country. And yet, most economists at that time considered the level too high and the "adjustment" of Germany to it impossible. It is interesting that Germany could not adjust to a loss of 7 percent of its export potential, but Tanzania is supposed to be able to adjust to a loss of 60 percent of it!

The devastating results of these policies are known: economic regression, social disaster, growing instability, and sometimes even total disruption of whole societies (as in Rwanda, Somalia, Liberia, and Sierra Leone). During the 1990s, the growth rate of Africa's GDP per capita has been negative (-0.2 percent), Africa being alone in that case. As a result, Africa's share of global trade decreased. That fact is precisely what is being qualified as "marginalisation." Instead, one should speak of a dramatic mal-integration in the global system. Conventional neo-liberal economists pretend this is only a "hard transition" towards a better future.

But how could it be? The destruction of the social fabric, growing poverty, and the regression of education and health cannot prepare a better future or help African producers to become "more competitive" as expected. Quite the opposite.

This neo-colonial plan for Africa is indeed the worst pattern of integration in the global system. It cannot but produce a further decline in the capacity of African societies to meet the challenges of the modern time. These challenges are to a certain extent new, relating to the long-term, possible effects of the ongoing

technological revolution (informatics) and through them, the organisation of labour, its productivity and new patterns of the international division of labour. What ought to be said in this respect is that all of these challenges are operating in the real world through conflicts in strategies.

For the time being the dominant segment of global capital - the TNCs - appears to dictate what is favourable to the progress of its particular strategies. African peoples and governments have not yet developed counter-strategies of their own similar perhaps to that which East Asian countries are trying to push ahead. In that frame, globalisation does not offer Africa solutions to any of its problems. Foreign direct private investments in Africa are negligible and exclusively concentrated on mineral and other natural resources.

In other words, the strategy of TNCs does not help Africa move beyond a pattern of international division of labour belonging to the remote past. The alternative, from an African point of view, needs to combine the building of auto-centered economies and societies and participation in the global system. This general law is valid for Africa today as it has been throughout modern history for all the regions of the world.

It is still too early to know if Africa is moving towards that goal. There is talk of an "African Renaissance." No doubt, the victory in South Africa i.e. the breakdown of the apartheid system, has created positive hopes not only in that country but throughout large parts of the continent. But there are not yet visible signals of these hopes crystallising into alternative strategies.

That would need dramatic changes at various national levels, going far beyond what is generally suggested under the labels of "good governance" and "political multiparty democracy," as well as at regional and global levels. Another pattern of globalisation would therefore gradually emerge from those changes making possible the correction of the mal-integration of Africa into the global system.

TOWARDS THE AFRICAN UNION

Pallo Jordan

Speech in Parliament, 30 May 2002

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As the African continent prepares for the inaugural summit of the African Union, an observer could not be blamed for regarding ours as an extremely troubled continent.

During the last decade of the 20th century, Africa accounted for 53 of the armed conflicts in the world. Even more troubling is that the vast majority of these were not inter-state conflicts, but invariably were civil wars. A terrifying dimension of these wars is that they can be conducted even in the absence of high tech weapons systems.

South Africa today is at peace, but we must be deeply concerned because we do not want to see a further escalation of conflict on the continent. As an African state, our concern is driven by self-interest and we must readily accept that Africa's problems are our problems. Conflict situations necessarily entail loss of life and the destruction of infrastructure. Conflicts also require governments to divert resources away from social spending programmes to security. That is an excess which no African people can afford.

In some parts of the continent the state has left ordinary people prey to ruthless warlords and adventurers intent on self-enrichment.

Yet, it would be radically wrong to view Africa as a picture of unmitigated gloom and doom. Between 1990 and 1999, more competitive elections were held in Africa than in Asia and in the Pacific. Elections have just been concluded in Lesotho and Sierra Leone, two countries that have lived through extremely difficult times over the last decade. The region with the lowest number of elections was the Middle East. Though the progress of democracy in Africa is making slow progress, it has become an established trend.

The uneven pace of democratisation in Africa owes its progress, as during the struggle for independence, to the efforts of ordinary citizens and political activists who have occupied and expanded democratic space within their societies as a means of placing critical social policy issues on the public agenda.

Contrary to the view held by some misguided pundits, it is not to its former colonial masters that Africa owes its democratic institutions. Those who actually experienced colonialism know that the colonised people had no rights. They were not citizens, they were colonial subjects, governed by an entirely separate system of law from the colonists. Incalculable mischief was wrought by the so-called "experts" in "native culture," "anthropology" and "customary law" who corrupted indigenous legal systems to suit the needs of the colonial administration. Unaccountable, arbitrary power was the hallmark of every colonial administration. This power was usually wielded with a great deal of discretion in pursuance of metropolitan vested interests.

The end of the second millennium coincided with the emergence of a new generation of African leaders. Many had been steeled in the harsh school of underground resistance, political exile, imprisonment, armed and mass struggles against racist and colonialist states, but also against post-colonial states of 30 to 40 years standing. Nurtured on the post colonial experiences of Asia and Africa, they have known the elation brought by great successes as well as the bitter disillusionment that accompanies dismal failure.

The thrust for good governance and democracy in Africa deserves the sort of support that will beget long-term institutional development. The pan-African human rights instruments and other institutions envisaged in the African Union, should lend the process greater momentum. Their very existence will lend greater legitimacy to the institutions designed to support democracy in individual African nations. The norms and standards of good governance the African Union will adopt, and the peer review mechanism directed at ensuring the observance of these norms and standards, have also put governments on notice that they will be held accountable not solely by their own people, but by the continent as a whole.

Bread and freedom are not mutually exclusive alternatives. Ordinary African citizens have begun to emphasise that these are mutually dependent. Democracy should not be embraced because such institutions impress foreign powers and international donor organisations. We should embrace and promote it for its intrinsic value. Democracy creates an environment in which the objectives of social equity, inclusion, unity and human rights culture can be pursued, without recourse to extra constitutional means. Confronting what many Africans perceive as a hostile international economic order will be possible only with the organised support of the common people. Governments that enjoy the legitimacy and a popular mandate are better able to speak to outside with authority.

African leaders, inspired by a vision of an African Renaissance, have placed before the continent and the international community the New Partnership for African Development (NEPAD), with a view to harnessing the human and natural resources of the continent, for its renewal and reconstruction. The development of Africa's infrastructure, the rollout of modern telecommunications networks, securing better terms of trade, democratic government and the cancellation of debts are at the centre of NEPAD. Though politically independent, today the African continent's sovereignty is threatened by indebtedness to banks and international aid donors. NEPAD can galvanise a collective response to this threat

Encouraging a substantial increase in capital flows into Africa and reversing the trend of donor fatigue are but two aspects of this programme. United action on a number of different fronts can also open up the markets of developed countries to African raw materials, agricultural produce and beneficiated goods, while facilitating the transfer of technology to African countries.

Synergies, through which variously endowed African countries can pool their strengths, will also be an important dimension of NEPAD, enabling Africans to mobilise their own savings and the capital reserves on the continent for its development.

While the increasing momentum of Africa's reconstruction is grounds for optimism, there are new dangers in the international arena which require our attention. Many of the most discredited ideologies and political programmes from the past have acquired apparent respectability in the political environment created by the events of September 11th. The electoral successes registered by political parties of the radical right in Europe and the EU Human Rights Commission's alert about the rise in racist, anti-Semitic and xenophobic rhetoric betray a dangerous backsliding against which we must be very vigilant. The strength of charismatic, fundamentalist Christianity in the USA can justly take credit for shifting the mainstream of US politics well to the right. The upsurge of an aggressive populist nationalism, in response to the terror attack on New York and Washington D.C., among the American public, has reinforced such trends.

As we marked Africa Day this year, we could take pride in the role that South Africa has played at the forefront of efforts to achieve political stability and peace as pre-conditions for the regeneration of the African continent. South African has done this not by bullying, hectoring and coercion, but by judicious interventions and patient dialogue with our African neighbours. These efforts are continuing and are at the centre of our foreign policy.

Afrika! ke Nako! Yes, Africa's moment has indeed arrived.

THE RIGHT TO SOCIAL ASSISTANCE: THE IMPLICATIONS OF *GROOTBOOM* FOR POLICY REFORM IN SOUTH AFRICA

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Abstract

The 1996 Constitution recognises the right of access to social assistance for those who are unable to support themselves and their dependants. This article explores the implications of this right for social security policy development in the light of the principles established in the *Grootboom* case for the interpretation of socio-economic rights. The deep structural problems of poverty and inequality in South Africa have created a crisis of immediate needs for large numbers of people. In this context, it is argued that the effective implementation of social assistance programmes combined with far-reaching measures to improve access to social assistance are necessary to give effect to Section 27 and the values underpinning our constitution.

"When you have to borrow, and your neighbour swears at you, but you still sit and wait for her - that's how you lose your dignity."

"We always earned R20 to R30 per week for picking cotton. Now we are living better with a pension of R470."

Introduction

The *Grootboom* case is widely acknowledged as a positive precedent for the judicial enforcement of economic and social rights, particularly those in Sections 26 and 27 of the Constitution. Positive judicial precedents are essential if socio-economic rights are to be taken seriously. However, the ultimate test of giving constitutional recognition to these rights is whether they result in real improvements in the quality of life of all in South Africa. This can only occur if these rights precipitate concrete changes in social policies and laws so that they are responsive to the needs of the poor. This is not only a moral and political imperative, but also a constitutional obligation. As expressed by the Constitutional Court in *Grootboom*: "A society must seek to ensure that the basic necessities of life are provided to all if it is to be

a society based on human dignity, equality and freedom." These foundational values of our new constitutional order will have "a hollow ring" if the principles articulated in *Grootboom* are not integrated in all aspects of social policy.

There are currently a number of important policy processes underway relating to the reform of social assistance programmes in South Africa. They include the child support grant introduced in April 1998, the South African Law Commission's Project on the review of the Child Care Act which includes provisioning for children in vulnerable circumstances, and the work of the Committee of Inquiry into a Comprehensive Social Security System. This committee has a wide-ranging brief covering a review of the entire social security system in South Africa, including the feasibility of the introduction of a basic income grant.

Access to social assistance for those who are unable to support themselves and their dependants is a constitutional right in South Africa. Applying the principles established in *Grootboom* for the interpretation of socio-economic rights, this article examines the implications of this right for the above and other relevant social security policy processes. It concludes that the effective implementation of social assistance programmes combined with far-reaching measures to improve access to social assistance is necessary to give effect to Section 27 and the values underpinning our constitution.

Poverty And Inequality In South Africa: A Crisis Of Immediate Needs

The role and impact of social assistance in South Africa can only be appreciated by considering the social, economic and historical context of poverty and inequality in the country.

Poverty and inequality are among the most serious challenges facing South Africa today. It is estimated that 18 million people in South Africa, representing 45 percent of the population, live below the poverty line using an absolute measure of poverty, pegged at an income per adult of R353 per month. Of these, 10 million people live in "ultra-poor" households earning less than R193 per month, per adult. Poverty in South Africa has strong racial, gender, age and spatial (rural/provincial) dimensions.

Estimates of South Africa's unemployment rate vary, but the most recent estimate from Statistics South Africa is 22,5 percent for February 2000. Employment growth is far from keeping pace with the number of new entrants in the labour market. Unemployment statistics obscure significant aspects of the nature of employment in South Africa. This includes the related phenomena of the "working poor"

earning very low wages, the decline in formal sector employment, and the growth of so-called "a-typical" forms of employment characterised by low wages, minimal benefits and no security.

South Africa has among the highest income inequalities in the world. Furthermore significant numbers of the population lack adequate access to basic social services such as quality health care, safe water and education. Land distribution can play a major role in human development, particularly in rural areas where "it can contribute to sustainable livelihoods, food, security and an asset base for rural households." However, the pace of land reform has been slow with less than 1 percent of land redistributed through the land reform programme and the majority of land still in the hands of a few South Africans.

If no drastic measures are taken, the poverty situation in South Africa will substantially deteriorate as a result of the HIV/AIDS pandemic. It is estimated that by the year 2011 over half of the population will live in households that will be affected by at least one HIV infection, someone who has developed AIDS or an AIDS-related death. The poverty implications include increased health-costs, a fall in productivity due to the demands on household members caring for ill members, the illness and death of breadwinners, and an increase in the number of AIDS orphans. Children and working age adults are the groups who will be most affected by the HIV/AIDS pandemic. According to Dr. Claudia Haarmann:

"HIV/AIDS is likely to lead to a situation, where many households who otherwise would live close to but above the poverty line, are pushed under the basic subsistence level. They will be faced by destitution, if not assisted by the state."

These bald statistics mask the qualitative experience of poverty for millions of South Africans: the daily struggle for survival, hungry children, exhaustion, humiliation, lost opportunities, and the violence and stress associated with extreme insecurity. The immediate needs of these groups are urgent. If the meeting of these needs is not taken seriously in government's efforts to achieve long-term economic growth, the individuals and families concerned will suffer irreparable harm. The consequences of severe poverty include malnutrition, physical and mental health problems and death.

The depth of poverty and inequality in South Africa are attributable to our history of colonialism and apartheid. An integrated and co-ordinated development strategy is clearly indispensable to redressing these conditions. However, given the depth of poverty and inequality in South Africa, far-reaching measures are needed to provide immediate relief to the large numbers of people in desperate need.

In the above context, the government's social assistance programme is a vital mechanism of poverty alleviation. It is also the largest single redistributive programme of the government. In South Africa, social assistance has taken the form of social grants which are paid in terms of the Social Assistance Act 59 of 1992. Currently, the four main social grants are: the grant for the aged, the grant for the disabled, the foster child grant and the child support grant. Together these grants reach over 3 million vulnerable people in our society.

In its White Paper for Social Welfare released by the Department of Welfare (now the Department of Social Development) in February 1997, the government commits itself to "the provision of a comprehensive national social security system." According to the White Paper, a transformed social security system should be built on two pillars. Firstly, it will require "comprehensive social assistance to those without other means of support, such as a general means-tested social assistance scheme". Secondly, it will require "the restructuring of social insurance, including the retirement industry, unemployment insurance and health insurance." The ultimate goal, in the words of the White Paper, is:

"...universal access to an integrated and sustainable social security system. Every South African should have a minimum income, sufficient to meet basic subsistence needs, and should not have to live below minimum acceptable standards. The social security system will also work intersectorally to alleviate poverty."

The Right to Social Assistance in South Africa: Nature and Scope

Introducing the right

Universal access to social security is not only a policy goal in South Africa, but also a right enshrined in our Bill of Rights. Social security is recognised as a human right in international human rights law, and is also protected in various forms in a number of national constitutions. This international and comparative law was influential in the inclusion of a right to social security in the Bill of Rights.

Section 27(1)(c) of the Constitution gives "everyone" the right "to have access to social security, including, if they are unable to support themselves and their dependants, appropriate social assistance." In terms of section 27(2) the state "must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation" of this right. The Constitutional Court affirmed in *Grootboom* that the first and second subsection "are related and must be read together." The first subsection delineates the scope of the right, and it incorporates at least "a negative obligation placed upon the state and all other entities and persons to desist from preventing or impairing" the right. The second

subsection "speaks to the positive obligation imposed upon the state." It both defines and qualifies the State's positive duties by reference to three key elements: (a) the obligation to "take reasonable legislative and other measures"; (b) "to achieve the progressive realisation" of the right; and (c) "within its available resources." Policy reform in the area of social security cannot proceed without a careful consideration of the scope of the right, and the nature of the obligations it imposes on the State.

In some jurisdictions, the concept of social security has been limited to contributory social insurance schemes, and has excluded needs-based, "discretionary" social assistance paid from public funds. However, the international trend is to give the concept of social security a broad interpretation, incorporating social assistance. This is in line with efforts to develop comprehensive systems of social protection in response to factors such as the increased mobility of labour, growing unemployment, the growth of the informal sector and changes in work patterns (for example, the increasing amount of part-time work, temporary work, home-based work and self-employment). The formulation of Section 27(1)(c) places it beyond dispute that social assistance is an integral component of the broader right of access to social security in South Africa.

The scope of the right

There are three primary issues that arise in relation to the scope of the right of access to social assistance in Section 27(1)(c).

Firstly, the right of access to social assistance is restricted to those who are "unable to support themselves and their dependants." This raises the question as to whom the constitution envisages as "unable" to care for themselves and their dependants. The right must clearly extend to those who cannot provide for their own or their dependant's basic needs because they are old, very young, or living with a physical or mental disability. These are the groups that are catered for under our present social assistance programmes. The critical issue is whether the right has a broader scope, extending to those who are unable to support themselves due to an inability to find employment, very low wages or insufficient access to productive assets.

In the context of the high levels of structural unemployment and poverty in South Africa, a broad interpretation of the right is appropriate as the underlying interest that this right protects is an adequate standard of living for everyone. The capacity of millions of people to support themselves and their dependants has been severely curtailed by apartheid's legacy, including the lack of access to productive assets such as land, the education and skills-deficit and the inherent

difficulties of escaping poverty traps. In this context, social assistance is a critical lifeline for poor families and assists in preserving a standard of living that is consistent with human dignity.

The second issue to consider is the scope of the concept of "dependants" in Section 27(1)(c). Is it restricted to situations where the law recognises a formal duty of support? Given the fluidity and informality of different household forms in South Africa, it seems inappropriate to interpret the concept of dependants narrowly. Relationships of dependence that are not currently recognised by law may exist as a survival strategy in the context of scarce resources. An important precedent was set with the introduction of the child support grant which was made payable to the "primary care-giver" of the eligible child. This includes relatives (for example, an aunt or grandmother), and extends even to those who are unrelated to the child provided that they take day-to-day care of the child. This issue is particularly important in the context of the HIV/AIDS pandemic where informal models of community care are evolving to deal with the growing number of AIDS orphans. If social assistance is to benefit vulnerable households, it is imperative that it extend to all de facto relationships of support.

The final issue to be considered is what constitutes "appropriate" social assistance? This adjective is clearly intended to import a qualitative dimension in respect of the social assistance provided. Appropriateness must be evaluated in relation to the underlying purpose of the right to social assistance. Its purpose, as has been argued, is to ensure that everyone has a sufficient income (or in-kind benefits) to meet basic subsistence needs and to live in accordance with human dignity. The level of benefits provided under the various social assistance schemes should thus meet a defined minimum standard which ensures the recipient does not fall below a credible poverty line in the South Africa context. The kind of benefits provided should also be appropriate to the situation and needs of the particular beneficiary-group. Thus, for example, child support benefits should enable a caregiver to at least feed, clothes, shelter and acquire basic medicines for the child.

If increases to social grants do not keep pace with inflation, they are steadily eroded, resulting in a decline in the standard of living of beneficiaries. At a certain point, they may fall below the level regarded as appropriate to maintain an adequate standard of living. The child support grant was introduced in April 1998 at a level of R100 per month. Unlike the other social grants, it was not increased until 2001 when it was raised to R110 with effect from July. This represents a 10 percent fall in the value of the grant relative to inflation since its introduction. It is thus essential that annual increases to the social grants are inflation-linked in order to maintain an appropriate level of social assistance.

Having considered the scope of the right to social assistance, it is necessary to examine the obligations imposed on the state in terms of Section 27(2). The interpretation in *Grootboom* of the obligations imposed by the equivalent Section 26(2) has a number of implications for the policy-making and budget allocation processes of government. In the context of social assistance policy, this article will focus on the implications of two particular duties: the duty to improve the implementation of social assistance programmes and the duty to expand access to these programmes.

A Duty To Implement Social Assistance Programmes Reasonably **The administrative legacy of the past**

The central test in *Grootboom* as to whether government has fulfilled its positive obligations in relation to socio-economic rights, is whether the measures it has adopted are "reasonable". However, the Court was at pains to emphasise that the relevant section requires the adoption of "reasonable legislative and other measures." In the words of the Court:

"Mere legislation is not enough. The state is obliged to act to achieve the intended result, and the legislative measures will invariably have to be supported by appropriate, well-directed policies and programmes implemented by the executive. These policies and programmes must be reasonable both in their conception and their implementation...An otherwise reasonable programme that is not implemented reasonably will not constitute compliance with the state's obligations."

The Court's emphasis on the duty of reasonable implementation of laws and policies is welcome. There has been understandable enthusiasm for policy and legislative development by both government and NGOs in the process of transformation. However, even the most innovative programmes are doomed to failure without adequate institutional capacity and resources to deliver services effectively.

The history of social assistance in South Africa from its origins soon after Union in 1910 is one of pervasive racial discrimination. This was reflected in the exclusion of certain racial groups, particularly Africans, from certain grants, and discriminatory benefit levels and eligibility criteria. Moreover, as Bhorat observes:

"Administrative delays, corruption and inefficiency, particularly in rural areas, were a form of covert discrimination for disenfranchised communities."

For example, South Africans in the former Republic of South Africa were eligible for the previous State Maintenance Grant. However, for a variety of reasons African women were effectively excluded from access. Most of the former homelands and

the "independent states" did not administer it, resulting in a highly inequitable racial and provincial distribution of the grant. The distribution of the disability grant was also unequal with a lack of access by poor and rural African people, especially from the former TBVC states and self-governing territories.

The new democratic government thus inherited a welfare system that was fragmented, inequitable and administratively inefficient. This was an inevitable consequence of a welfare system that was administered by 14 different departments for the different population groups and homelands.

In 1996, government appointed the Committee for the Restructuring of Social Security (CRSS) headed by Rev Frank Chikane to investigate and make recommendations on the reform of current social security systems. This included information and payment systems and technology, the restructuring of human resources management systems, and the evaluation of information regarding fraud and corruption. The key recommendations of the CRSS related to the establishment of a nationally organised social security system with standardised management, budgeting and communications systems.

Administrative barriers to accessing social assistance

While significant progress has been made in integrating the fragmented social security system inherited from the apartheid regime, a number of administrative problems continue to impede access to social assistance grants, particularly in certain provinces such as the Eastern Cape. These are acknowledged by the Department of Social Development, and can be categorised as follows:

Inadequate dissemination of information to communities about the social grants, and the conditions of eligibility.

- ▼ A lack of administrative justice in the re-registration process which the Department embarked on in order to eliminate so-called "ghost" beneficiaries or those who were not eligible for a social grant from the social security database.
- ▼ Serious backlogs in the processing of applications, and delays in the payment of the grants. Contributing factors include an absence of district surgeons in rural areas to assess eligibility for disability grants, and serious budgetary problems in certain provinces.
- ▼ A lack of adequate infrastructure, particularly in the Eastern Cape, resulting in pensioners being forced to receive their pensions at unsafe paypoints and under conditions that are inconsistent with human dignity (for example, an

absence of ablution facilities). Welfare offices in poor districts do not have access to suitable office accommodation and equipment and there is insufficient staff to cope with the increasing demand for services.

The consequences of inadequate implementation: a case study of the child support grant

The serious consequences of inadequate implementation of social grants are illustrated by the results of an important research project into childhood malnutrition in the Mount Frere district of the Eastern Cape. The purpose of the research is to evaluate the implementation of the guidelines for the management of severely malnourished children in hospitals in the district. The research includes follow-up of these children through unscheduled home visits after the discharge of the children from hospital. The research revealed that although almost all of the caregivers were able to recall the nutritional education that they had received in hospital, its application was often impossible because of the severe poverty they experienced. A food inventory of 13 basic and locally available foods revealed that only 37 percent of the households had more than half of the items on the list. Moreover, one month after the discharge of the children, none of the 30 households visited in the study had succeeded in accessing the child support grant. At six months after the discharge of the children, only one caregiver had accessed the child support grant.

The barriers to accessing the grant included an improper understanding and application of the regulations by the welfare officials, delays in obtaining a birth certificate from the Department of Home Affairs, care-givers being unable to afford transport to the relevant government offices (especially when they are requested to return to the offices at another time), and long delays in the processing of the grant. The critical importance of timeous processing of grants is illustrated by the following observations by one of the researchers:

"...if the family had received the child support grant 10 months earlier when they first applied, it is almost assured that this child would not have needed to be hospitalised for severe malnutrition several months later. Even with the new treatment protocols, this child had a one in three chance of dying from such a severe condition, and the costs of emotional trauma to the family, and an expensive hospitalisation to the health care system, would have been avoided."

The take-up rate of the child support grant since it was introduced in April 1998 has been poor, and has only recently improved. A number of non-governmental organisations (NGOs) were critical of the onerous conditions that had to be met before a primary caregiver could access the grant on behalf of a child and the administratively complex "two-tier" means test. Many of these conditions were

dropped in a subsequent amendment to the regulations, and the department has intensified efforts to publicise the child support grant.

Initiatives to improve implementation

A number of initiatives of the Department of Social Development are currently underway to improve the implementation of social security programmes. These include a revision of the policy on persons with disabilities, including the introduction of assessment panels where district surgeons are not available; the reinstatement of beneficiaries incorrectly removed from the system during the re-registration process; the establishment of mobile units in the rural areas to enable people to obtain the necessary identity documents to apply for social grants; conditional grants to improve technological infrastructure in the Eastern Cape and Kwa-Zulu-Natal; strengthening monitoring and evaluation capacity at a national level; the development of comprehensive norms and standards for the payment of social grants both by private payment contractors and by government officials; and the improvement in the communication and information technology of the provincial departments. The brief of the Committee of Inquiry into a Comprehensive Social Security System also includes recommending options for immediate practical implementation.

In terms of *Grootboom*, the sufficiency of these measures will be assessed against the standard of reasonableness. Unless measurable progress is made to improve the implementation of social assistance programmes, national and provincial departments of social development will be vulnerable to constitutional challenge. The Court in *Grootboom* underscored the role of national government in ensuring that laws, policies, programmes and strategies are adequate to meet the state's obligations. National government also "bears an important responsibility" to allocate national revenue to the provinces and local government on an equitable basis.

The problems behind the inadequate administration of social assistance programmes often lie with poor management practices and human resources capacity to spend available resources. In recent years, the Department of Social Development has attracted considerable criticism for substantial under-spending of funds allocated for various programmes, including poverty relief projects, the child support grant, and improvements to the administration of the grants.

The problems associated with the inadequate implementation of current social assistance programmes in South Africa are multifaceted and will require detailed research and sustained attention. Issues pertaining to implementation are also critical for those advocating an expansion of social assistance programmes. Even the most innovative proposals will have little prospect of being accepted if they do not integrate mechanisms for their effective and equitable implementation.

The Duty To Expand Access To Social Assistance Programmes

The gaps in access to social assistance and proposals to close them

One of the critical challenges faced by the Committee of Inquiry into a Comprehensive Social Security Policy is to generate workable proposals to extend access to social assistance programmes.

The three primary groups catered for by the current system are very young children, persons living with disabilities and the elderly. Even within these groups there are significant categories that cannot access the social grants. These include, for example, poor children under 7 years whom the child support grant does not target, children who are living on the streets, abandoned, orphaned or members of a child-headed household, and persons with chronic illnesses or moderate disabilities who do not meet the strict criteria for the care-dependency or disability grants.

Apart from these gaps in existing programmes, there is a gaping chasm in the coverage of the rest of the population who are living in poverty. The two main groups that currently have no access to social assistance in South Africa are poor children over the age of 7 years and working age adults, particularly the long-term unemployed. Owing to the absence of comprehensive social security in South Africa, the state old age pension must often stretch to support other members of poor households. Households without pensioners, consisting mainly of working age adults and children, are left with no or minimal access to social assistance. The support given by the existing social assistance programmes are thus far from guaranteeing a minimum standard of living for the majority of poor people in South Africa.

There have been a number of proposals to close this gap in social assistance provisioning. These include the extension of the child support grant to children up to the age of 18 years, the payment of an unemployment benefit for those affected by structural unemployment, and the basic income grant. The latter proposal was tabled by Cosatu at the presidential job summit in October 1998, and also proposed in Cosatu's submission to the Committee of Inquiry into a Comprehensive Social Security System. The proposal is essentially that a modest sum of approximately R100 per month be paid to everyone, including children, who are not in receipt of another social grant. The grant would be universal and thus avoid the costs and administrative burden associated with means-testing. The tax system would be used to retrieve the grant from middle-income earners (a "claw-back"), and a progressive "solidarity tax" imposed on higher income earners. Thus although the grant would be paid universally, it would in fact be targeted at the poor and be redistributive in effect. The benefits of the basic income grant are summarised by Cosatu as follows:

"The proposed basic grant has the advantage of giving all households a small but

secure minimum income, improving their stability and economic potential. Because it is a flat sum, it is highly progressive. Moreover, it favours large households - which tend to be poorer - as they pool income, and increases the incomes especially of women and children."

The above proposals which entail a significant expansion of existing social assistance programmes will encounter strong countervailing pressures. Firstly, the global context is not conducive to such an expansion. The trend in many countries is to restrict access to social assistance benefits. Secondly, the government's macro-economic policy places tight constraints on social spending. Finally, there has been a profound paradigm shift in the Department of Social Development away from the tradition of helping the poor through "hand-outs" towards the social development approach which seeks to "empower" the poor to be self-reliant. This is reflected in the Department's Ten-Point Plan which was adopted after a national consultation process in January 2000 to guide its policies and programmes. The plan requires the development of a comprehensive social security system that links contributory and non-contributory schemes and prioritises the most vulnerable households. It goes on to say that such a system "must reduce dependency on non-contributory cash payments and give consideration to food security."

Applying the *Grootboom* principles

In this highly contested terrain, the constitutional arguments for expanding access to social assistance programmes require careful consideration.

In *Grootboom*, the Constitutional Court indicated unambiguously that it would not prescribe to the state any particular policy option for giving effect to socio-economic rights. It recognised that there are "a wide range of measures" that could be adopted by the state to meet its obligations. However, these measures may be reviewed by the Court against the standard of reasonableness imposed by the sections protecting socio-economic rights. The guidelines in *Grootboom* assessing reasonableness must thus play a key role in the formulation of social assistance policy.

Progressive realisation and retrogressive measures

The measures adopted by the state must be geared towards the "progressive realisation" of the right to social assistance for those who are "unable to support themselves and their dependants". Improving access to social assistance programmes is thus inherent in the concept of "progressive realisation". Social assistance must be made "accessible not only to a larger number of people but to a wider range of people as time progresses." The Court cited with approval the General Comment of the UN Committee on Economic, Social and Cultural

Rights which interprets the phrase, "progressive realisation" in the context of the International Covenant on Economic, Social and Cultural Rights. While the phrase allows the State some flexibility in realising the particular right, it also imposes an obligation "to move as expeditiously and effectively as possible towards that goal." The committee went on to comment that "any deliberate retrogressive measures...would require the most careful consideration and would need to be fully justified by reference to the totality of the rights provided for in the Covenant and in the context of the full use of the maximum available resources."

This suggests that the state should bear the burden of justifying any retrogressive measures, such as cut backs in social programmes, adopted by it. The Court did not indicate what factors it would consider relevant to the justification of retrogressive measures. In the context of a reduction of social assistance grants, it should at least be required to show that it has put in place alternative programmes that guarantee equivalent or better access to basic needs by the poor. These could include, for example, the provision of subsidised services such as free lifeline water, subsidised housing and in-kind benefits such as food and school vouchers. In this regard it is important to note that the Court indicated that it would take account of the "interconnectedness" of socio-economic rights in determining whether the state has met its obligations.

"Progressive realisation" is thus both a sword and a shield. It imposes an obligation on the state to take steps towards the constitutional goal of effectively meeting the basic needs of all in our society. These steps must be "deliberate, concrete and targeted" allowing the state to show measurable progress in meeting this goal. Moreover, "progressive realisation" acts as a brake on measures that reduce access to socio-economic rights. At the same time it also allows the state a degree of temporal latitude in the achievement of this goal.

The place of social assistance in a comprehensive social security strategy

The progressive realisation of socio-economic rights must occur within the framework of a comprehensive, co-ordinated and workable plan. In terms of Section 27(1)(c), social assistance forms part of the broader right of access to social security.

The reform of the social security system in South Africa must encompass a broad range of issues, including social insurance schemes (such as unemployment insurance, compensation for occupational injuries and diseases, and occupational pension schemes), as well as social assistance programmes.

However, the potential of social insurance schemes to meet the subsistence needs of those living in extreme poverty is very limited. These schemes are predominantly restricted to those in formal employment. As has been noted, there is a shift away from formal employment which has had the effect of eroding even the existing labour rights of workers in these sectors. Many vulnerable categories of workers have traditionally been excluded from these schemes. The extension of social insurance schemes to those in the large informal sector in South Africa as well as to the many in the "a-typical" forms of employment referred to above, is complex and unlikely to materialise in the short to medium term. Furthermore, unemployment insurance legislation is only designed to provide limited benefits for short-term unemployment. It is not designed to cater for the significant portion of the population affected by long-term, structural unemployment.

Without negating the importance of measures to encourage private savings and improve access to social insurance schemes, expanding access to social assistance programmes must play a major role in a comprehensive social security strategy that is responsive to South African realities.

Direct assistance to those in desperate need

The rate of progress in achieving access to socio-economic rights will be assessed contextually against the criteria of reasonableness. A key principle established in *Grootboom* is that to be reasonable, the measures adopted must provide relief for people "in desperate need" who are living in "intolerable conditions or crisis situations." The test of reasonableness will not be met if a social programme giving effect to socio-economic rights fails to cater for people in this situation even if it is "capable of achieving a statistical advance in the realisation of the right."

The State may not therefore neglect to respond to immediate needs in favour of longer-term strategies. This article has sought to demonstrate the extent and depth of poverty in the South African context. The needs of a significant number of the South African population are so desperate that they cannot be deferred to some future time when the full realisation of their rights will materialise. A comprehensive social security system must incorporate planning, budgeting and monitoring "the fulfilment of immediate needs and the management of crises" It must ensure that "a significant number of desperate people in need are afforded relief, though not all of them need receive it immediately."

Social assistance programmes by their nature are well suited to ensuring that the basic subsistence needs of destitute groups met. It is thus a significant mechanism for giving effect to the central tenet of the *Grootboom* judgment. The existence of adequate social assistance programmes will also assist the State

in demonstrating that it has fulfilled its obligations in respect of other socio-economic rights, for example, the right to food.

A proposal such as the basic income grant would clearly be a measure that would give effect to the constitutional requirements of catering for immediate needs and expanding access to social security. However, if this proposal is not accepted by policy-makers, an incremental strategy might have to be adopted. Such a strategy should start by extending access to social assistance to especially vulnerable groups who are excluded from the current system. Obvious examples include providing a universal child support grant to children up to the age of 18 years, and improving access to the disability grant. However, even if an incremental strategy is adopted the expansion of access to social assistance programmes must be substantial enough to ensure that that "a significant number" of people living in extreme poverty receive relief in the short term.

Assessing the availability of resources

Extending access to social assistance to those in need will have significant resource implications given the dimensions of the poverty situation in South Africa. The State's positive obligations to fulfil the rights in Sections 26 and 27 are qualified by reference to its "available resources." According to the Court in *Grootboom*, this means that "both the content of the obligation in relation to the rate at which it is achieved as well as the reasonableness of the measures employed to achieve the result are governed by the availability of resources". The availability of resources will be "an important factor in determining what is reasonable."

It is disappointing that the Court failed to give a clear indication as to how it would assess the availability of resources. Will it accept without question the budgetary allocations by the three spheres of government, or would these also be subject to review for their "reasonableness"? What about macro-economic policies that determine the availability of resources for social spending?

Socio-economic rights would be deprived of any meaningful purpose if the state could determine the extent of its own obligations through its macro-economic and budgetary policies. There are a number of indications in the judgment that all spheres of government, but particularly national government, are under a duty to make reasonable budgetary provision for giving effect to the obligations imposed by the socio-economic rights. The Court was also clear that the state is under a duty to budget for the meeting of immediate needs and the management of crises. However, it is a pity that the Court did not clarify that the test of reasonableness would apply to all policies and processes that determine the overall availability of resources, the allocation of resources between the three spheres of government, as well as the resources allocated to particular programmes.

Furthermore, one can only speculate as to the approach the Constitutional Court would adopt to arguments that the state should make substantial resources available now for programmes that will facilitate sustainable economic and social development thereby increasing the availability of resources for the realisation of socio-economic rights. At least at a political level, it is crucial for those advocating a substantial expansion of existing social assistance programmes to counter perceptions that grants are unproductive "hand-outs" that soak up scarce resources. Many people's participation in the economy is severely constrained by the all-consuming struggle for day-to-day survival, poor health and compromised nutritional status. They do not have the energy or the cash needed to start a small business, meet the transport costs of job-seeking or even to participate in a development programme. Instead of being contrary to the developmental paradigm, there are strong arguments to be made that social assistance programmes complement and support economic growth, employment creation and a more equitable distribution of resources in society.

The basic income grant is a bold and innovative proposal which gives social assistance a major role in poverty alleviation. The proposal goes beyond the residual function of social assistance as a social safety net. It views structural poverty and inequality as the dominant reality and challenge in South Africa. The basic income grant can play a major role in meeting basic subsistence needs thus enabling the poor to participate in the economy. In the light of the South extreme inequalities in South African society, a major social assistance programme of this nature is also a mechanism for income redistribution thus promoting greater social stability and reconciliation.

Conclusion

Those involved in social security policy development in South Africa have a responsibility to ensure that their proposals give effect to the rights and values in our Constitution. The *Grootboom* case has provided critical guidance on the state's duties in relation to socio-economic rights, including the right of access to social assistance recognised in the Bill of Rights.

This article has sought to highlight two key implications of *Grootboom* for social security reform. The first is that any policy development must include as an integral component the need to ensure the effective implementation of the relevant social assistance programmes. The most innovative programmes will be exposed to constitutional challenge if they fail to actually reach the poor. Secondly, the state is obliged to expand, and not reduce, access to social assistance rights by those who are unable to support themselves and their dependants. In the process of the

progressive realisation of this right, immediate needs cannot be ignored.

The present reality in South Africa is one of high levels of poverty and inequality. In a context of high structural unemployment, low-wages and insecure jobs combined with inadequate access to productive assets and social services, social assistance is well suited to meeting basic needs and preventing destitution. A basic income grant will not only give effect to the right of access to social assistance, but is the type of measure which will give substance to the foundational values of human dignity, equality and freedom in our Constitution. It is hard to imagine that these values can have any resonance with disadvantaged communities without tangible improvements in their quality of life.

Even in the absence of a universal social assistance programme such as the basic income grant, the bottom line of *Grootboom* is that the state is constitutionally obliged to directly assist persons who are living in crisis situations or intolerable conditions. It must at least include groups in especially vulnerable situations such as poor children and people living with disabilities. Improving access to disability grants and extending the child support grant to all impoverished children regardless of their age should thus be high on the agenda of social assistance policy development.

At both a constitutional and political level, the availability of resources will be a central issue in arguments concerning an expansion of social assistance programmes. The challenge facing advocates of improving access to social assistance is to demonstrate that it is indispensable to economic and social development. This recasts the "available resources" debate. The question then becomes not whether South Africa can afford social assistance for all in need, but whether we can afford not to provide it.

A CRITICAL ASSESSMENT OF STATE LAND REDISTRIBUTION POLICY IN THE LIGHT OF THE GROOTBOOM JUDGMENT

By Edward Lahiff and Sam Rugege

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The Constitution of South Africa includes certain land rights in the socio-economic rights set out in the Bill of Rights. The property clause (Section 25) protects the rights of all property holders but also imposes clear obligations on the state to effect a fundamental reform of property relations. Section 25 specifically mentions the right to restitution of property rights lost under previous discriminatory laws and practices and the right to tenure security, and, in Section 25(5), imposes a duty on the state to take "reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis". These provisions are a direct response to the history of racial discrimination and forced dispossession that denied ownership of land, or secure rights in land, to the majority of the population, and the legacy of widespread landlessness and rural poverty that has persisted into the democratic era.

Since 1994, the ANC-led government has implemented a multi-faceted land reform programme, of which the redistribution programme, in particular, aims to foster access to land for the historically disadvantaged in line with the obligation contained in Section 25 (5). The redistribution programme has largely consisted of the provision of grants and other assistance to would-be landowners to acquire land through the market, the so-called "willing seller, willing buyer" approach. The principal mechanisms used to implement redistribution have been the Settlement/Land Acquisition Grant (SLAG) and, more recently, the Land Redistribution for Agricultural Development (LRAD) programme. Other mechanism, such as the Municipal Commonage Programme, farm equity schemes and the disposal of state land have been used to a lesser degree.

Since its inception, the redistribution programme (along with other aspects of land reform) has attracted much criticism for its slow rate of delivery, having transferred little more than 1 percent of total agricultural land by the end of 2001. Among the reasons for this are cumbersome systems for planning and approval of projects within the Department of Land Affairs (DLA), reliance on the open market to supply

land and a lack of co-ordination between the national department and other state institutions at provincial and local level. In urban areas, responsibility for provision of land has fallen between the DLA and various local and provincial government structures, working largely under the banner of housing policy. This has resulted in the lack of a clear, national policy for the provision of land in urban areas, and has given rise to extreme shortages of *land* for housing in many areas. The failure to develop a distinct land policy for urban areas can be seen as a major weakness, both in terms of the redistribution programme and in terms of giving full effect to Section 25(5).

While many of the problems around project design and implementation are being addressed by government, fundamental weaknesses within land reform policy remain. One is the illusive nature of the policy-making process, with major changes in policy going largely unexplained in official statements or publications. SLAG, for example, has been effectively replaced by LRAD, yet SLAG is still being used in some provinces, for certain types of projects, in the absence of a clear public policy statement that explains how the two programmes relate to each other. Likewise, municipal commonage programmes are being enthusiastically implemented in the Northern Cape and the Free State, but not in the Northern Province, for no obvious reason. Targets for redistribution announced from time to time by political leaders have varied widely, and bear little relation to the available budgets or the actual performance of the programme to date. Second, redistribution projects continue, with few exceptions, to be implemented on a piecemeal (project-by-project) basis, as determined by numerous unco-ordinated negotiations between landowners and would-be purchasers. This creates difficulties in the provision of infrastructure and agricultural support services to beneficiaries, and in meeting all the land needs in a particular area in a comprehensive manner. Third, the budgets provided by government for land reform are greatly insufficient to meet the targets set by the current Minister and others. To make matters worse, the DLA has repeatedly failed to spend the budgets it has been allocated. As a result, the budget for land reform looks set to remain static for the foreseeable future. Fourth, land redistribution is not guided by a comprehensive piece of legislation that sets out clearly the rights and obligations of citizens and all spheres of government. This creates conditions whereby major shifts in policy can be carried out with minimal public consultation, where public officials enjoy a high degree of discretion (and limited accountability) in the implementation of the programme and where citizens have only the broad terms of the Constitution to guide them in understanding and exercising their rights.

The *Grootboom* judgment emphasised the duty of state programmes to meet a variety of needs and to pay particular attention to people in desperate need or living in intolerable conditions. The *White Paper on South African Land Policy* commits the government to addressing the needs of the poor, among other

disadvantaged groups. Recent shifts in policy, however, towards support for "commercial" farming, both under LRAD and in the disposal of state land, would appear to represent a move away from this position, although this has been denied by policy makers. In the absence of clearly-documented alternative programmes, specifically designed to meet the needs of people wishing to acquire land on a small scale for non-commercial purposes, however, it is difficult to see how the needs of the poor will be adequately addressed. Overall, the land redistribution programme does not prioritise cases on the basis of need and does not have mechanisms in place to deal with "emergency" cases.

Considerably more effort is needed if the state is to meet the obligations imposed by Section 25(5). This will require adequately funded programmes that can meet the range of land needs that exist in both urban and rural areas and a more interventionist approach by the state to the acquisition of land and the design of land-use projects. This does not necessarily require expropriation, but the failure to consider the use of expropriation to further the ends of redistribution ensures the perpetuation of the current piece-meal approach to land acquisition and rules out a co-ordinated approach to development and resettlement that is so urgently needed. Such an approach will undoubtedly increase the demands on the DLA and can only be brought about on the basis of a dramatic improvement in performance at all levels of the organisation.

Dispossession and forced removal of people under colonialism and apartheid resulted not only in the physical separation of people along racial lines, but also extreme land shortages and insecurity of tenure for much of the population. With the transition to democracy, expectations were high that a democratic government would effect a fundamental transformation of property rights that would address the history of dispossession and lay the foundations for the social and economic upliftment of the rural and urban poor. The final Constitution of South Africa (Act No. 108 of 1996), through the so-called property clause (Section 25) provides the basis for a comprehensive reform of property relations, albeit within a liberal democratic framework that upholds the rights of all property holders.

Seven years into the transition, however, the underlying problems of landlessness and insecure land rights of the previously disadvantaged remain largely unresolved. In line with its neo-liberal macroeconomic policy, the approach taken by the ANC-led government to land reform has been based on the use of free market mechanisms, tightly controlled public spending and minimal intervention in the economy - the so-called market-based, demand-led approach - which to date has made little impact on the racially-skewed distribution of land in South Africa. Today, over 13 million people, the majority of them poverty-stricken, remain

crowded into the former homelands, where rights to land are often unclear or contested and the system of land administration is in disarray. On private farms, millions of workers, former workers and their families face continued tenure insecurity and lack of basic facilities, despite the passing of new laws designed to protect them. In the cities and rural towns, sprawling shack settlements continue to expand, beset by poverty, crime and a lack of basic services.

A deepening social and economic crisis in the rural areas - fuelled by falling formal sector employment, the ravages of HIV/AIDS, ongoing evictions from farms and the collapse of agricultural support services in the former homelands - is accelerating the movement of people from "deep rural" areas to towns and cities throughout the country, while tens of thousands of retrenched urban workers make the journey the other way. The result is a highly diverse pattern of demand for land - for a variety of purposes - and numerous hot-spots of acute land hunger in both urban and rural areas. While it is not possible to quantify with any precision the extent of landlessness and land hunger in the country, the combination of overcrowding, poverty and unemployment in the former homelands, on commercial farms and in the peri-urban townships combine to create a vast problem and a growing challenge to government land policies.

This paper examines one aspect of the state's land reform policy - redistribution - in the light of Section 25(5) of the South African Constitution and the recent *Grootboom* judgment. It looks at the constitutional and legal basis of the programme, the mechanisms for implementation that have been put in place and the performance of the programme to date. Particular attention will be paid to the effectiveness of the programme in addressing the needs of the rural poor and landless.

The Constitutional Framework

Section 25, the constitutional provision on property in the 1996 Constitution, can be looked at as comprising two parts. The first part, subsections 1-3, is aimed at protecting existing property rights and delimiting the scope of that protection. The second part, subsections 4-9, deals largely with land reform. The Interim Constitution's Section 28 did not have any specific provision for land reform although the authority to carry out land reform could be implied from its provision for expropriation. Section 25 of the Constitution can therefore be seen as an improvement on Section 28 of the Interim Constitution in that it introduced specific powers and duties on the state to implement land reform. Section 25 thus strikes a balance between the interests of property holders and the general public interest, empowering the state to redress the injustices of the past through redistribution of land and other natural resources to the advantage of the previously deprived.

There was considerable controversy about the inclusion of a property clause in the Interim Constitution. Van der Walt points out that there were "fears that the property clause would either entrench existing property rights too strongly or that it would undermine existing property rights for the sake of land reform." However, the contending parties at the multiparty negotiations finally agreed to a property clause protecting existing rights while allowing the state to be able to expropriate private property subject to the payment of compensation. The provision was retained and expanded in the final Constitution.

Section 25(1) provides that: "No one may be deprived of property except in terms of a law of general application, and no law may permit arbitrary deprivations." This protects property against arbitrary action by the state and introduces the requirement of legality and due process in dealing with private property. The provision means that any limitation on property rights must be both procedurally fair and not arbitrary in its substance. At the same time, it makes it clear that the right to property is not absolute. Property may be subject to restriction or regulation by the state and may even be expropriated. Section 25(2) provides that: "Property may be expropriated only in terms of law of general application - (a) for a public purpose or in the public interest, and (b) subject to compensation, the amount, timing, and manner of payment of which must be agreed, or decided or approved by a court."

Subsection (3) introduces possible limitations on the right to compensation where property has been expropriated. It states that: "The amount, timing, and manner of payment of compensation must be just and equitable, reflecting an equitable balance between the public interest and the interests of those affected, having regard to all relevant factors, including:

- a) The current use of the property;
- b) The history of the acquisition and use of the property;
- c) The market value of the property;
- d) The extent of direct state investment and subsidy in the acquisition and beneficial capital improvements of the property and
- e) The purpose of the expropriation."

Although the list of factors to be considered is not exhaustive, it is clear that the amount to be paid as compensation for expropriated property could be considerably less than the market value of the property. This is in spite of foreign case law suggesting that market value is the standard for determining "just and equitable" compensation. In the *Former Highlands Residents, in re Ash v Department of Land Affairs*, the Land Claims Court held that in matters of compensation for expropriation, market value was only the starting point.

Considerations referred to in Section 25 (3) could reduce or increase the actual compensation. Given the racist policy of apartheid governments, which explicitly favoured the interests of white over black people, perhaps the most critical factors to be considered in terms of land reform are the history of the acquisition and use of the property and the extent of direct state investment and subsidy in the acquisition and capital improvement of the property. Taking account of these factors in calculating compensation should avoid windfalls for landowners, and make land more affordable. Nevertheless, this provision has not been exploited by the state in the case of redistribution, where the willing buyer-willing-seller approach has been preferred.

Under the Interim Constitution, expropriation could only be carried out for public purpose. There were arguments as to whether this included land reform. In the 1996 Constitution the phrase used was "public purpose or public interest". The latter had been interpreted in international law to cover land reform. Section 25(4) is an interpretation clause, which puts beyond doubt the question of whether expropriation for purposes of land reform, which benefits individuals and communities rather than the state itself or the general public, can be justified in terms of Section 25 (2). It states that "public interest includes the nation's commitment to land reform, and to reforms to bring about equitable access to all South Africa's natural resources."

Section 25(6) requires the state to pass a law that ensures security of tenure to those whose tenure is insecure due to past racially discriminatory laws. Section 26(7) is concerned with restitution of land to those dispossessed of land after 1913 as a result of past racially discriminatory laws. This paper does not deal with these aspects of land reform. The focus of the paper is on the state's duty to foster conditions which enable citizens to gain access to land on an equitable basis, that is the redistribution leg of land reform.

Access to Land as a Socio-economic Right: Analysis Of Section 25 (5)

The state must take reasonable legislative and other measures, within its available resources, to foster conditions which enable citizens to gain access to land on an equitable basis. [Section 25(5)]

Literature on human rights normally distinguishes between civil and political rights or first generation rights, on the one hand and social economic rights or second generation rights, on the other. There has traditionally been resistance among lawyers and academics to the inclusion of socio-economic rights in constitutions on the ground that they would be difficult or impossible to enforce.

Access to land is recognised as one of a cluster of socio-economic rights enshrined in the Constitution. As stated by the Constitutional Court in *Grootboom*, these socio-economic provisions "entrench the right to land, to adequate housing and health care, food, water and social security. They protect the rights of the child and the right to education." This is despite the fact that the relevant provision (Section 25(5)) does not use the explicit language of a right used in relation to housing, health and other rights in Sections 26, 27 and 28. Nothing in the property clause states that everyone has the right to land or to access to land. Section 25(5) merely puts an obligation on the state to "take reasonable legislative and other measures, within its available resources to foster conditions which enable citizens to gain access to land on an equitable basis." Thus it would appear that no individual person may demand access to land. This is not greatly different to the situation with regard to the right to housing. The duty of the state in both cases is to pass legislation and design and implement a programme that is reasonable within its available resources.

Nevertheless, the Constitutional Court has stated: "The state must also foster conditions to enable citizens to gain access to land on an equitable basis. Those in need have a corresponding right to demand that this be done." It is therefore contended that poor people with no access to land or inadequate or precarious access to land may demand that the state implement a programme which makes secure access to land possible.

Section 25(5) has both passive and a positive aspect to it. The passive aspect potentially allows it to be used as a defence by the state when challenged on its land redistribution programme by opponents of such a programme. It has been argued that:

"Any constitutional challenge to social reform legislation or action will be met, at least in part by reliance on the social and economic rights in the Constitution. The land rights in Section 25 are a very important counter-weight to the constitutional entrenchment, in that Section, of existing property rights. Social and economic rights can therefore provide constitutional authority or constitutional protection for legislation or administrative action."

The positive aspect is that it may be used under certain circumstances to compel the state to comply with the obligation to "foster conditions which enable citizens to gain access to land on an equitable basis." Budlender and others predicted that "it is conceivable that under appropriate circumstances, a court could be persuaded to issue a declaratory order that the state was in breach of its constitutional obligations. This would no doubt have a powerful political impact. This is what happened in *Grootboom* in respect to the right of access to housing contained in Section 26.

The question may be asked as to what is meant by access to land on an equitable basis. Access does not necessarily imply, although it includes, ownership. It may mean availability of land on joint ownership, leases or other secure use rights, which would protect occupiers from arbitrary dispossession. One of these forms of access is for instance the joint ownership of land through an association under the Communal Property Associations Act. Access may also be secured through legislative measures designed to secure rights to land already occupied under insecure forms of tenure, such as that experienced by many farm workers on privately owned land.

The state is required to put in place legislative and other measures that foster conditions which enable citizens to gain access to land on an equitable basis. This implies that the state may redistribute state land or purchase land for redistribution, but may also make it possible for people to purchase private land available on the land market by means of subsidies and through facilitating access to credit on favourable terms.

The reference to equitable basis seems to be aimed at a land redistribution programme that attempts to redress the historical gross imbalance of ownership of land between the minority white population, with more than 80 percent of the land, and the black majority with less than 20 percent of the land. Thus, the inclusion of people who are not necessarily poor in the redistribution programme, in order to open up commercial farming to black entrepreneurs, is *prima facie* justifiable in terms of Section 25 (5). Nevertheless, as will be argued below, adequate consideration needs to be given to meeting the needs of the poor [or "those in need", according to *Grootboom*] in order for the programme to be reasonable.

Reasonable Legislative and Other Measures

Section 25 (5) requires the state to "take reasonable legislative and other measures...". This phrase is employed in respect of other socio-economic rights and was extensively discussed in *Grootboom*. In interpreting this phrase, it is recognised that the state has a discretion in determining policy and the nature of the legislation to be enacted and how to implement it. It has a discretion to choose the means of fulfilling its obligations. However, this does not mean that the state can do whatever it wants. The measures taken must be capable, from an objective standpoint, of achieving the purpose intended by the constitutional provision. With respect to similar wording in Section 26, the Court said in *Grootboom*:

"The programme must be capable of facilitating the realization of the right. The precise contours and content of the measures to be adopted are primarily a matter for the legislature and the executive. They must however,

ensure that the measures are reasonable. A court considering reasonableness will not enquire whether other more desirable or favourable measures could have been adopted, or whether public money could have been better spent. The question would be whether the measures that have been adopted are reasonable. It is necessary to recognize that a range of possible measures could be adopted by the state to meet its obligations. Many of these would meet the requirement of reasonableness. Once it is shown that the measures do so, this requirement is met."

Reasonableness does not relate only to the legislation as passed and to policies and programmes as designed but also applies to implementation. In *Grootboom* it was said: "These policies and programmes must be reasonable both in their conception and their implementation. The formulation of programmes is only the first stage in meeting the state's obligations...An otherwise reasonable programme that is not reasonably implemented will not constitute compliance with the state's obligation." Thus in assessing whether the state has met its obligation in relation to Section 25 (5), the pace and extent of the implementation of the land redistribution programme needs to be examined.

In order for legislative and other measures to be reasonable, the state should take account of the social, economic and historical context. With respect to land, this means that the historical deprivation of black people under colonialism and apartheid must be considered. Thus, in order to be reasonable a land redistribution programme must give adequate consideration to the landless and to those whose access to land is least secure. In the context of the right of access to housing, the Constitutional Court has stated:

"To be reasonable, measures cannot leave out of account the degree and extent of the denial of the right they endeavour to realise. Those whose needs are the most urgent and whose ability to enjoy all rights is therefore most in peril, must not be ignored by the measures aimed at achieving the realization of the right. If the measures, though statistically successful, fail to respond to the needs of those most desperate, they may not pass the test."

The capacity of institutions to implement land reform programmes must also be taken into account in determining the reasonableness of the legislation and other measures. In the context of the right of access to housing, the Constitutional Court argued that what constitutes reasonable legislative and other measures must be determined in light of the fact that the Constitution creates different spheres of government: national, provincial and local government. The Court goes on to say: "A reasonable programme therefore must clearly allocate responsibilities and tasks to the different spheres of government and ensure that the appropriate financial and human resources are available." Whereas the function of housing is shared by

national and provincial governments, land matters are within the functional area of the national government. In either case the national or provincial government may assign the implementation of a function under part A of schedule 4 or 5 of the Constitution to the local sphere of government. Although land is within the exclusive function of the national government, implementation of policy regarding redistribution of land may be most effectively administered by sharing the responsibility among the various spheres of government. Thus, the statement of the Constitutional Court that "a co-ordinated state housing programme must be a comprehensive one determined by all three spheres of government in consultation with each other as contemplated by chapter 3 of the Constitution" is relevant to the management of the redistribution programme. Provincial and local governments need not have their own programmes but should be in a position to contribute to the administration of national programmes under assignment or delegation from the national government.

Resources

Section 25(5) of the Constitution, in common with other socio-economic rights, contains an internal limitation, in that the obligation of the state to ensure progressive realisation of the right is subject to the availability of resources at its disposal. The state clearly does not have unlimited resources and therefore is allowed considerable discretion to determine how national resources will be spent. Failure on the part of the state to fulfil a socio-economic right due to lack of adequate resources is not, in itself, a violation of that right. This point was made by the Constitutional Court in *Soobramoney*, in which the court refused to find the state in violation of the applicant's right to health when it failed to provide a dialysis machine for the treatment of chronic renal failure. The court found that the spending decisions made by the department of health were not unreasonable given the limited budget within which it was operating. The court said:

"What is apparent from these provisions is that the obligations imposed on the state by Sections 26 and 27 in regard to access to housing, health care, food, water, and social security are dependent upon the resources available for such purposes, and that the corresponding rights themselves are limited by reason of the lack of resources. Given this lack of resources and the significant demands on them an unqualified obligation to meet these needs would not presently be capable of being fulfilled."

It is reasonable to say these remarks are equally applicable to the duty to make land accessible on an equitable basis since the same wording is used in Section 25 (5). In *Grootboom*, in referring to the housing clause, the Constitutional Court sets out clearly the implications of the term "within its available resources" in terms that can equally be applied to land.

The third defining aspect of the obligation to take the requisite measures is that the obligation does not require the State to do more than its available resources permit. This means that both the content of the obligation in relation to the rate at which it is achieved as well as the reasonableness of the measures employed to achieve the result are governed by the availability of resources. Section 26 does not expect more of the State than is achievable within its available resources.

However, it is important to point out that in terms of international law the state cannot simply ignore its obligations under the Bill of Rights and plead lack of resources. International law requires that the state must satisfy at least its "core minimum obligation". This minimum obligation must be met unless the state can show that its resources are "demonstrably inadequate" to allow it to fulfil obligations. The state must "strive to ensure the widest possible enjoyment of the relevant rights under the prevailing circumstances"

In *Grootboom*, the Constitutional Court declined to determine the minimum core obligation with respect to the right of access to housing on the ground that it did not have sufficient information available to it regarding the needs and opportunities for the enjoyment of the right to enable it to make such a determination. The court said: "These varied according to factors such as income, employment, availability of land and poverty". However, it did not reject the idea of a minimum core obligation altogether. It acknowledged that there may be cases where it may be possible and appropriate to have regard to the content of a minimum core obligation to determine whether the measures taken by the state are reasonable.

Comprehensive Legislation

Unlike certain other key areas of socio-economic policy - such as housing and water - land reform is not framed by a single overarching piece of legislation. Restitution, a key element of the property clause (Section 25(7)), does follow this model in terms of the Restitution of Land Rights Act, which establishes statutory bodies such as the Land Claims Court and the Commission for Restitution of Land Rights, and sets out detailed procedures for the processing of land claims. Tenure reform (Section 25(6)) has, at least in part, been legislated for in terms of the Interim Protection of Informal Land Rights Act (IPILRA) No. 31 of 1996, the Extension of Security of Tenure Act No. 62 of 1997, and the Land Reform (Labour Tenant) Act No. 3 of 1996.

Section 25(5), on which redistribution is based, however, has not specifically been legislated for. Rather, the state has relied on the Provision of Land and Assistance Act No. 126 of 1993, as amended, as the legal basis for its redistribution programme. This short act, as originally promulgated, is largely concerned with technical

provisions that allow for the redistribution of state land or "any land which has been made available for those purposes by the owner thereof" (Section 2(1)(c)), as well as the granting of subsidies to resettled persons. No provision was made for the acquisition of land by the state for redistribution purposes. The amendment to the act in 1998 broadened the powers of the Minister to include the acquisition of land [10(1)(a)], and broadened the categories of person that can be assisted [10(2)] (see above). A lengthy clause, 15, was added to the act dealing with delegation of ministerial powers to department officials and to provincial and local government bodies.

The existence of a comprehensive and definitive law governing a major policy area has many advantages, as exemplified by the Housing Act (107 of 1997) and the National Water Act (36 of 1998). Firstly, the promulgation of such a law generally requires a substantial process of public consultation accompanied by a degree of public debate and mass-media exposure prior to being framed as a bill. The passage of a bill through the houses of parliament, including the relevant portfolio committees, is again an opportunity for rigorous scrutiny and debate at the highest political level. Secondly, a comprehensive law of this kind would generally state clearly the aims and objectives of policy and make provision for all aspects of implementation. Particular attention could be expected to be paid to the roles of different spheres of government and to the rights and obligations of citizens under the act. Thirdly, such an act would be binding on all concerned, including political office holders, state officials and the general public. Departures from the spirit or the letter of the act could be expected to be challenged through the courts or in parliament. Major changes in policy would require amendments to the law, again subjecting it to scrutiny and debate at various levels. Finally, a comprehensive law could be expected to provide a high degree of certainty around policy matters, both among officials and the general public, and could therefore be expected to provide a basis for the rational and consistent implementation of that policy.

The absence of comprehensive legislation has the opposite effect, and this is clearly the case with regard to redistribution policy. While the 1997 White Paper was the result of a lengthy process of public consultation and was approved by parliament, the details of redistribution policy have not been subjected to the same scrutiny. Major shifts in policy have been made with minimal consultation or debate, the leading examples of which are the imposition of a moratorium on redistribution projects in 1999 and the introduction of LRAD in 2001. Until the advent of LRAD, the role of national government departments such as Public Works and Water Affairs and Forestry (both holders of large areas of land), provincial government departments and local government structures in land reform was far from clear. Under LRAD, major new responsibilities have been allocated to the provincial departments of agriculture, without any specific budgetary provision and a lack of preparedness in many provincial offices to take on such tasks.

Overall, while the Provision of Land and Assistance Act provides various powers to the Minister of Land Affairs, and to ministerial delegates, it does not clearly set out how redistribution is to be effected, the roles of the different spheres of government and the rights and obligations of stakeholders. The discretionary powers granted by the act do not place any obligation on the state to meet particular needs. Thus, while the act provides certain powers that may assist the state in meeting its constitutional obligation, it creates no mechanisms whereby the state can be held to account in terms of its fulfilment of that obligation. There would appear to be a strong case for a comprehensive land redistribution law that would set out the main elements of the redistribution programme, clarify the obligations of relevant state institutions and elaborate the rights of citizens wishing to gain access to land - in other words, to give full legislative weight to Section 25(5) of the Constitution.

Implementation of Redistribution Policy

As made clear in the *Grootboom* judgment, state policy must properly be assessed by considering both policy, at the level of legislation and policy documents, and the manner in which policy is implemented. While it is important to emphasise the positive achievements of the redistribution programme since 1994, many weaknesses and failing in the programme are also evident. Some of these have been addressed by shifts in policy, not all of them successfully, but others continue to be problematic. This Section discusses a number of critical and persistent weaknesses in the implementation of redistribution policy. In so doing, it is important to recognise that no clear line can be drawn between policy formulation and policy implementation. Many of the problems identified here have their roots in the original policy formulation, while others arise largely in the process of implementation, but such a distinction is rarely absolute. It should also be noted that implementation varies substantially from province to province, and that the quality of data available from DLA does not allow for detailed analysis of all aspects of the redistribution programme.

While the redistribution programme, as well as the land reform programme more generally, has been the subject of considerable debate, and various shifts in policy over the years, one area where there is little disagreement is around the painfully slow pace of delivery. A DLA publication from late 1999 shows that by then a total of 301 SLAG projects, 20 farm equity projects and 77 municipal commonage projects had been implemented country-wide and many more were in the pipeline. A sweeping review of land reform policy, including a moratorium on new redistribution projects, was announced by the new Minister for Agriculture and Land Affairs shortly after taking office in 1999, causing a major disruption in the pace of delivery. A report in *Business Day* stated that the number of households that

received project approvals in 2000 was only 5.692, as opposed to 17.243 in 1999. Actual transfers of land were down from 14.250 hectares to just 1.513 hectares, a fall of almost 90 percent. Land area transferred was also down by more than a half - 95.216 hectares in 2000 as opposed to 233.720 hectares in 1999.

Over the last two years, the supply of detailed information on implementation of the redistribution programme has largely dried up. Apart from gross figures for expenditure and the total number of projects, little or no detail is provided in sources such as the Annual Reports of DLA, the DLA website or public briefings by the Minister or Director General on matters such as commonage projects, farm equity schemes, SLAG grants and ESTA settlements. In a telling indication of performance, the Minister was quoted in *Business Day* in October 2000 as saying that only 0.81 percent of farmland had been redistributed since 1994.

By the end of 2001, a briefing by the Director General of DLA revealed considerable progress, at least in the rate at which projects were being approved. The total number of redistribution projects (presumably of all types) approved by the minister between 1994 and the end of 2001 was 834, involving 1 006.135 hectares of land and 96.063 households. Land transfers have also been boosted by the decision to release up to 669.000 hectares of state agricultural land to emerging farmers, something that was inexplicably absent from the land reform programme hitherto. The handover of state land commenced at Port St Johns in May 2001.

A number of reasons can be put forward for the generally slow rate of implementation of land redistribution, amongst them the reliance on market mechanisms to acquire land, complex and often inappropriate planning procedures and the poor performance of district and provincial level staff. Individual projects have taken upwards of two years in many instances to plan and implement. In a speech in August 2001, the Minister provided this explanation for the slow rate of redistribution:

"When a review of the land reform programme was done, it was clearly found out that the lengthy project cycle and approval process as well as the size of the grant (R16.000) were the major factors that might have accounted for the slow land delivery as well as the poor performance of certain redistribution projects for agricultural production purposes during the past seven years of land reform process."

The following examples highlight some of the problems that continue to hamper the land redistribution policy.

Land acquisition

The model of implementation of redistribution projects developed around the SLAG

programme, and largely carried over into the implementation of LRAD, centres around individual projects. Each group or individual wishing to acquire land is required to identify land available for purchase and negotiate with the landowner. While this might be expected to be a lengthy and difficult process, it is greatly complicated by the fact that buyers and sellers are negotiating in advance of funding being approved for the project. Agreement in principle between the parties is followed by project planning procedures that involve feasibility studies and the preparation of business plans, verification of beneficiaries, valuation of the land (typically conducted more than once) and vetting by various government officials. Up to recently, this process alone would typically take between one and two years, during which time buyers and sellers cannot finalise the transfer of land. This has created uncertainty for property owners and, in cases where projects are not approved, can result in the transaction being abandoned, with no recourse for the disappointed seller. The long duration and uncertainty surrounding purchase of land has undoubtedly led to many property owners withdrawing from the process and deterred others from becoming involved.

Grants for purchase of land are released only towards the end of the lengthy project planning cycle, which itself is tied to a specific property. This means that would-be buyers cannot, in practice, acquire land through auctions or opportunistic purchases as farms come on the market. It also means that planning is abandoned should the price eventually offered by DLA be rejected by the landowner, thus obliging the applicants (and DLA) to abandon the project or to start the entire planning process over again for another property.

Reliance on the open market to provide land for redistribution also imposes great difficulties in integrating projects with other rural reform processes. Because the location of projects is determined by unco-ordinated and unpredictable negotiations between numerous buyers and sellers, it has not been possible for municipalities and other government departments to plan effectively for the provision of services such as agricultural extension, water, schools and clinics to resettled communities. This has resulted in land reform beneficiaries going without vital services for lengthy periods. To make matters worse, because beneficiaries are obliged to choose from whatever land is on offer, they often end up far from their former homes, where they generally had some access to such services and benefited from close reciprocal relations with their wider community.

In March, 2000, the Minister highlighted in parliament some of the problems facing redistribution projects. Quoting from the DLA *Quality of Life Survey*, the Minister said it showed projects being assembled and transferred by the Department that left beneficiaries without access to basic services, and little likelihood of any improvement in their economic circumstances:

"The report identifies the key problems facing the land reform programme as the way in which it fails to integrate properly with local planning and other development processes. It also suggests that decisions about land use are made by a select few. The general institutional framework was identified as weak. The report points to the fact that in many cases, projects are placed out of the reach of services provided by the Department of Agriculture. Generally, the contribution of agricultural projects is seen as minimal."

The origins of many of these problems can be traced to the willing-seller, willing-buyer model, that gives rise to a patchwork of unconnected projects. The limited debate around this model to date has focussed mainly on the political or moral implications (paying market prices for land that may have been acquired by force or at a very low price) rather than on the practical merits of the policy. This reliance on the market - which is set to continue virtually unchanged under LRAD - has shown itself to be slow and cumbersome, and to meet neither the needs of sellers, buyers or the state. The much-needed alternative is a planned programme of land acquisition by the state that deals fairly and efficiently with current land owners but also delivers land of the scale, quality and location best suited to the intended beneficiaries and allows for the delivery of support services in a planned and co-ordinated manner.

Project planning

Many of the problems associated with redistribution projects to date have centred around a mismatch between the initial requirements of grant applicants and the projects they end up with. This is evident both in the size of projects - in terms of land parcel and number of members - and in the nature of the agricultural activities carried out. The needs of people applying for assistance under the redistribution programme - as well as the levels of resources and experience they bring to the projects - are undoubtedly varied. Some want no more than a small patch of land to grow food for household consumption, or land on which to graze existing livestock; others have the desire and the resources to engage in much larger scales of production for the market. Some have years of experience working their own land or as employees on commercial farms; others have no direct experience of agriculture of any kind. Yet, DLA officials and the consultants appointed by them have, on the whole, attempted to fit applicants to existing agricultural enterprises rather than the other way around. This has added to the complexity of project planning and goes a long way to explaining the slow pace of implementation. It has also had highly undesirable consequences for applicants that have made it through the lengthy implementation cycle to the point of land transfer, with a growing number of project failures being reported.

Agricultural land in South Africa tends to come on the market in the form of entire farms. This is related in part to the long-standing legal prohibitions on the subdivision of agricultural land, but also to a well-founded belief by landowners that piecemeal sales are both costly and time consuming. Thus, project planning typically begins with the offer of a whole farm, or set of farms, for sale. In many cases, the size of land available is not well matched to the needs of would-be beneficiaries or is beyond their price range. This has typically meant reducing or expanding the size of applicant groups so that the combined value of the grant matches the asking price of the farm, with little or no regard to the potential of the land to support that number of people. This has led in some cases to the formation of large and unwieldy groups with little internal cohesion (the so-called "rent-a-crowd" phenomenon), but also to cases where relatively coherent groups are split, with some receiving land and others not.

One root of this problem has been, of course, the paltry size of the Settlement/Land Acquisition Grant - last set at R16.000 - relative to the cost of agricultural land, which may be resolved for some through the larger grants available under LRAD. It also relates, however, to the failure to subdivide land where appropriate and to the insistence by officials and consultants on perpetuating the forms of agricultural activities carried out by the former owners. Redistribution beneficiaries can only select land from what is currently available on the market. If this happens to be an intensive dairy farm or a fruit farm, especially one with sizable fixed capital assets, it is these activities that will typically be reflected in the business plan drawn up by officials and DLA-appointed consultants, regardless of the original intention of the applicants. Because these intensive forms of agriculture require sizable amounts of working capital, which cannot be met from the DLA grant, such projects typically begin life with a substantial loan from the Land Bank or other lender, which borrowers often struggle to repay.

Conclusion

Since 1994, the South African state has put in place an ambitious and potentially far-reaching programme of land reform in order to meet the requirement of the Constitution and to deal with the legacy of race-based dispossession and oppression. While some progress has been made, all aspects of the programme have suffered from major delays in delivering land and secure rights to the previously dispossessed and have had a minimal impact on the racially-skewed distribution of land in the country. This raises serious questions about the design of the land reform programme, the resources allocated to it, the mechanism used and the ability of the state to implement it. This in turn raises questions about the commitment of the state to land reform.

The principal policy instrument designed to meet the obligation imposed by Section 25(5) of the Constitution ("to foster conditions which enable citizens to gain access to land on an equitable basis") is the redistribution programme, one of three "legs" of the wider land reform programme. It must be acknowledged, however, that this obligation can also be met, at least in part, by other policy initiatives, such as the housing programme. Nevertheless, the redistribution programme is the one instrument specifically designed to impact upon the racial mal-distribution of land and to provide access to land for the broad mass of the citizenry. Since its inception, the redistribution programme has undergone a number of shifts in direction and considerable debate has ensued over the effectiveness of the policy and the manner in which it is being implemented. It is abundantly clear, however, that the programme has not even come close to meeting the various targets set by the political leadership or the popular demand for a fundamental transfer of land from historically privileged to the historically dispossessed. Some of the reasons for this poor performance have been outlined. They include limited human resources within the DLA, over-reliance on the existing land market, inappropriate project design and poor co-ordination between the national department and other role players at provincial and local level. Budget allocations by the national treasury have not been sufficient to implement a large-scale programme of land reform via the market, but given the many problems with the programme, and the recurring inability of DLA to spend its budgets, financial resources cannot be seen as the main constraint up to now.

The *Grootboom* judgment raises important questions for the land reform programme, such as whether the current redistribution programme can be said to give adequate effect to the socio-economic right to land contained in Section 25(5); whether state policy is reasonable, in term of legislation, programme design and programme implementation; and whether it meets the needs of diverse social groups, particularly those in desperate need. In attempting to answer these and other questions, this paper has emphasised the sometimes-illusory nature of the policy making process with regard to land, and the lack of detailed information in the public domain on policy itself and progress with implementation. It has also identified policy areas which require urgent attention, particularly the determination of responsibility for provision of land for housing in urban areas and the creation of effective links between land and housing policies.

With regard to meeting the needs of diverse social groups, this paper has argued that land reform policy as a whole operates with an undifferentiated category of the "historically oppressed" which blurs the very real socio-economic differences that exist within this broad category. As a result, redistribution policy lacks any effective system of prioritisation on the basis of need, or any "fast track" for dealing with exceptionally urgent cases. The recent shift in policy towards a more explicit farmer

settlement model, in the form of the Land Redistribution for Agricultural Development programme, can be seen as a further de-prioritisation of the needs of the very poor and desperate. Support for so-called emergent commercial farmers, some of whom can independently mobilise up to R450.000 worth of resources, is now the flagship redistribution programme of the state. The needs of the very poor who require access to small areas of land for subsistence purposes have been relegated to the margins of policy, the grey areas of commonage, food safety nets, ESTA settlement grants and SLAG. The current emphasis on the needs of the better-off (albeit within the context of historically disadvantage), coupled with the ongoing lack of attention to the needs of the very poor and those in desperate need, can be seen as a regressive measure in terms of Section 25(5). The declining budget for land reform over the medium term is another.

Considerably more effort is needed if the state is to meet the obligations imposed by Section 25(5). Such effort requires a detailed assessment of the need for land and associated development, something that has been absent from the policy process to date. Only on this basis can realistic, adequately funded, programmes be devised that will meet the range of needs that exist. This poses a direct challenge to the so-called "demand-led" approach to land reform taken by the state up to now. If significant impact is to be made on current land-holding patterns within a reasonable timeframe, innovative ways will have to be found to facilitate the transfer of substantial areas of land in places of highest demand and in parcels that meet the needs of a variety of land users. Such large-scale transfers of land will require much greater involvement than hitherto by a range of actors, including provincial and local government, land owners, non-governmental organisations and landless people themselves. It will, above all, require a more interventionist approach by the state, both in the acquisition of land and in the design of viable land-use projects. Such an interventionist approach could involve the state earmarking land in areas of greatest need and negotiating with local landowners for an orderly transfer of land, with appropriate compensation. This does not necessarily require expropriation, but the failure to consider the use of expropriation to further the ends of redistribution ensures the perpetuation of the current piece-meal approach to land acquisition and rules out a co-ordinated approach to development and resettlement that is so urgently needed. Such an approach will undoubtedly increase the demands on the DLA, and can only be brought about on the basis of a dramatic improvement in performance at all levels of the organisation. Whatever the direction of a revised land redistribution programme, it is unlikely to overcome the problems identified here unless it is implemented on the basis of a comprehensive Land Redistribution Act, which gives full legislative weight to the rights proclaimed in Section 25(5) of the Constitution.

In conclusion, it is worth considering the vital importance of increasing access to land in South Africa. Recent years have seen a profound economic crisis in the country, with the poorest Sections of society, largely concentrated in the rural areas, struggling with deep and persistent poverty. Land-based livelihoods - livestock, cropping, gathering of wild materials - have provided a means of survival for many, but overcrowding, insecure land rights and lack of appropriate support services have limited the contribution of such activities to livelihoods. The displacement of the problems of chronic poverty and landlessness from the former homelands and commercial farms to the towns and cities has not provided a solution, but rather has created new and equally intractable problems in the urban areas. Two key factors suggest that this already-gloomy picture is likely to deteriorate further in the years ahead. One is the continuing fall in formal sector employment, itself a result of changes in the global economy and the economic policies pursued by government. The other is the scourge of HIV/AIDS that is cutting through the rural areas like a scythe, decimating the ranks of young adults to whom entire communities look for their future. As yet, it is difficult to predict what the impact of the pandemic will be on the demand for land, or on the ability of households to use land in order to obtain a livelihood. What is certain, however, is that rural poverty and vulnerability are set to increase greatly in the years ahead. This, in turn, will require an even greater effort by the state and other sectors if the rights proclaimed in the Constitution are to be translated into tangible benefits for all the people. Land reform alone cannot solve deep-rooted problems of poverty and inequality, but it is an essential component of any programme with these aims. The need to implement land redistribution efficiently and effectively is greater than ever.

PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA:

TRADE AND INDUSTRY PORTFOLIO COMMITTEE AND SELECT COMMITTEE ON ECONOMIC AND FOREIGN AFFAIRS

Extracts From Report On Public Hearings On Industrial Policy

Main themes

The Committees found that there was broad consensus around the need to develop a manufacturing/industrial strategy that sets out key objectives and priorities for an industrial development path and the role of different groupings in it. There was agreement that this means moving beyond dialogue to collective action, and that the state has a key leadership role in achieving this.

There was a high level of agreement that the new draft of the Department of Trade and Industry (dti) policy in the Integrated Manufacturing Strategy (IMS) represents a significant advance on the previous policy outline produced in May 2001. This is reflected in the identification of the main challenges and priorities, and the need to move from macroeconomic stability to microeconomic action. The step towards customised offerings for the pursuit of strategic goals was also welcomed. As such, it is believed that the framework provides a solid basis from which to proceed.

The dti submission - An Integrated Manufacturing Strategy, and the Microeconomic Reform Programme

The dti submission was based on its document, *Accelerating Growth and Development: the Contribution of the Integrated Manufacturing Strategy*, which is linked to the Microeconomic Reform Strategy, also tabled by the dti in the hearings. The IMS provides the basis for "a collective government position...[to] co-ordinate a set of actions across government". It also provides guidance as to what "economic citizens can expect from the dti over the next few years".

A strategy is defined in the IMS as a "long-term plan for future success or development". It therefore implies anticipation of the future and how it may be influenced, which in turn necessitates the collection and analysis of information, and the co-ordination of actions (as part of having a coherent plan). As such, the IMS is

a crucial platform on which to build a collective approach to achieve the goals of employment generation and broad-based, more equitable, growth.

The Microeconomic Reform Strategy sets out a vision for 2014 for "a restructured and adaptive economy characterised by growth, employment and equity, built on the full potential of all persons, communities and geographic areas". The requirements to realise this vision include:

- ▼ a geographic spread of social and productive investment
- ▼ an integrated manufacturing economy capable of high degrees of value added
- ▼ an extensive Information Communication Technology (ICT) and logistics system capable of speed and flexibility
- ▼ a high degree of knowledge and technology capacity
- ▼ greater diversity of enterprise type and size
- ▼ skilled, informed and adaptable citizens
- ▼ an efficient, strong and responsive state structure

The strategy identifies the challenges in terms of the dualistic nature of South Africa's economy. It therefore seeks the improvement of cost competitiveness in the developed economy, and the realisation of potential in the underdeveloped part of the economy which represents the experiences of a large proportion of South Africans.

The performance of the South African economy is a starting point for the microeconomic reform strategy as well as for several submissions. This performance is characterised by weak growth, declining investment and savings rates, low levels of investment in research and development, falling formal employment and high levels of unemployment, especially among black people and women across racial groups. These characteristics are manifested in, and reflect, the high levels of inequality and poverty.

The strategy is an important part of the integrated action plan announced by President Thabo Mbeki in February 2001. This plan outlines the need for co-ordinated government interventions. Areas which are highlighted include technology, human resource development, access to finance and infrastructure.

The dti approach identifies competitiveness (required for increased production and employment) as to do with a range of factors which impact on the ability of firms to produce and sell products. These include the prices of inputs, infrastructure, technology and innovation, skills and effective regulation. Central to the impetus for growth in this approach is improved efficiency through integration with the international

economy and increased knowledge intensity. Technology, innovation and ICT are emphasised as major drivers in this strategy. This is contrasted particularly with the past reliance on natural resources and cheap unskilled labour for competitiveness.

The dti proposes a framework of value matrices for addressing the vertical and horizontal relationships involved in increasing value-added across sectors, and the links with areas such as agriculture, beneficiation, ICT and tourism. Eight sectors are identified for promotion using customised services: clothing and textiles, agro-processing, metals and minerals, tourism, automotive and transport, crafts, chemical and biotechnology, and knowledge-intensive services. The dti will also continue to pursue broad-based programmes related to competitive market access, the regulatory environment, investment promotion, access to finance and policy coherence.

The key performance areas are black economic empowerment, small business development, employment and the geographic spread of economic activity. Targets are to be set, with an effective monitoring and evaluation framework to be put in place.

In its response to the hearings, the dti argued that South Africa was already well on the way to becoming a knowledge economy and that the promotion of knowledge-driven activities, such as innovation and marketing intelligence, were a key to further development in all sectors. The department also argued that a knowledge economy needs to draw on the experiences and capacities of everyone, and that in this context one of the major challenges was to more effectively upgrade the skills and capacities of our people, many of whom were at present not just unemployed but lacked the skills to take up employment.

The key themes raised by the dti's submission were the focus of much of the debate around the subsequent submissions, and they were returned to in the response of the dti at the end of the hearings.

Manufacturing strategy, industrial policy and industrial strategy

The dti places manufacturing at the centre of the economy, and emphasises the need to increase value-addition. The strategy also incorporates the need to promote diverse areas such as the beneficiation of natural resources and tourism. There was broad agreement on the need to examine linkages between cross-cutting areas, such as ICT, and the development of different sectors of the economy. This did, however, raise the question as to whether industrial strategy is not a more appropriate term as it connotes the influencing of different industries' development

paths in line with national socio-economic priorities. These are not limited to sectors which are clearly delineated in economic terms as constituting manufacturing. This is also consistent with industrial policies as being the set of interventions to realise a particular vision for industrial restructuring.

Role of the state: from dialogue to collective action

The need for a coherent plan to take collective actions forward to implementation is a core element of the strategy. The dti submission clearly articulates that they act as a facilitator for the microeconomic reform strategy and will champion competitiveness and equity in the economy. This they aim to do through partnerships in designing the interventions required. The emphasis on a stronger state leadership role was widely welcomed, to ensure the move beyond dialogue is achieved. The rationale for leadership is based on the intrinsic features of the South African economy, rather than a narrower understanding of state action being limited to addressing "market failures".

Submissions from Nedlac and the various social partners noted that the experience of collective engagements indicates that there are three key factors for success. First is the power of constituencies to drive the issue in question and to follow through. Second is leadership and constituencies' capacity to act, in particular government. Third is the sharing of information. Experiences of weaknesses across all constituencies were noted by Nedlac. However, particular concerns exist around the fragmentation of business. These concerns include difficulties in getting mandated positions and the weak capacity of small and medium business to effectively engage on key policy issues.

In this regard, the dti noted that their ability to move forward with collective actions would depend on the coming together of different stakeholders within sectors to move beyond narrow interests and lobbying to concrete analysis of the challenges and mapping out of the future development path. Sector job summits needed to fulfil this role if they were to be a mechanism for determining collective action in industrial policy.

The roles of parastatals such as the Industrial Development Corporation (IDC) and other institutions across government must be part of a co-ordinated approach. In this regard, while the IDC has evidently played a leading role in large-scale beneficiation projects, which would not have taken place without its participation, there is concern as to progress in other areas. For example, IDC activity in small and medium enterprise finance appears to be largely reactive.

The weak representation at the hearings of other institutions within the Council of Trade and Industry Institutions (COTII) is of concern given the need for effective co-ordination. Indeed, this is also an area of the dti strategy where almost no detail is provided, and yet it aspires to lay the foundation for an integrated and co-ordinated framework. As the dti itself notes in the strategy, the co-ordination and oversight of the COTII is "a significant challenge to the dti and requires that dti be equipped with the requisite capacities to meet this challenge."

Clarity on the process of further engagement to develop the strategy is required. It was noted by Nedlac and the constituencies that the engagement to date had been on the previous version of the strategy released by the dti in May 2001.

Exports and Trade Liberalisation

Exports are identified by the dti as a target sector in its own right. Export performance and potential is also one of the grounds for identifying specific value chains for promotion. The dti further argue that exports have been encouraged by trade liberalisation and that sectors with improved export performance have also recorded better performance in terms of employment. Other submissions, including those by Cosatu and affiliates question this. Data on manufacturing sectors indicate that the best performing export sectors in recent years have recorded employment losses. And, sectors recording the largest net increases in jobs (plastics and wood products) have not had particularly strong export performance.

While there was consensus that export competitiveness is an important aspect for improved industrial performance, the causal links do not appear unambiguous. The recently released UNCTAD *Trade and Development Report 2002* explains why significantly increased exports by developing countries in the past two decades has not produced the same improvements in growth. Even in hi-tech exports, the production activities being located in developing countries are often limited to assembly operations, with multinational corporations being attracted by low wages and investment incentives. Indeed, there is a risk of a "race to the bottom" with countries competing with each other as an investment location by offering incentives, competing on lower wages and compromising labour standards. As long as developing countries remain in activities at the bottom of the value chain, exports may not contribute significantly to growth. In addition, the "fallacy of composition" means that if countries are following similar approaches it will be self-defeating - what works for one country will not necessarily work for many as an oversupply of an exported product will lead to falling prices in world markets.

Technology, Knowledge Intensity, and Research and Development

There was broad agreement over the worrying implications of the decline in research and development expenditures in the economy to around 0.7 percent of GDP (compared with the 2 percent commonly targeted by industrialising countries). There was also agreement over the need to recognise the increasing application of information and communication technologies to production, and the need to improve South Africa's skills base, especially in science, engineering and technology related disciplines. The dti places increasing knowledge intensity at the centre of the manufacturing strategy as perhaps the prime driver of growth. This is founded on the belief that "Old Ways Don't Work" anymore such as strategies based on raw materials or labour costs. Instead it is the development and application of "knowledge intensity" and ICT that are viewed as key for the development of "integrated value-matrices". The response of dti to submissions re-emphasised their view that economic participation required appropriate skills for the new economy.

Strong submissions by the Department of Arts, Culture, Science and Technology (DACST), the Foundation for Education, Science and Technology (a DACST agency) and the CSIR further developed the issues of research and development (R&D) and the application of technology. These reinforced the need to have a clear strategic understanding of developments in this area. The R&D policy framework being developed by DACST will complement the IMS while the CSIR is engaged in a range of concrete initiatives. The development of such strategies is evidently of importance, as the reductions in R&D expenditures in recent years are exactly the opposite of what is required for the dti's strategy.

The causes of lower R&D expenditure were identified in the submissions as to do with both the private and public sectors. In both cases, however, the absence of a clear set of priorities for industrial development is an important factor. Public sector expenditure has declined largely as a result of shifts away from the apartheid priorities, without a redirection of efforts to priorities identified for broad-based and more equitable development. In the private sector, the competitive pressures of liberalisation have led to firms cutting costs, including research budgets. The "hollowing out" of corporate research has also been linked to the acquisitions of South African firms by multinational companies whose research capacity is situated primarily in their home-base. In extreme cases, the multinational companies have closed significant production capabilities in South Africa and used the South African subsidiary as an assembly and "warehousing" operation for mainly imported components and products. It is worth noting that it is precisely the application of ICT which enables the more effective control by multinationals of operations in different countries. Gains from the technologies of globalisation

therefore require a clear strategy of engagement. The counter-example of Sasol - with very high local research investments - illustrates the importance of domestic capabilities, and the possible results of state action.

It was also emphasised that it is the application of technology and R&D which is the objective and not higher R&D activities for their own sake. Developing countries typically have a higher proportion of R&D spending undertaken by government. Examples were given of Korea (with a manufacturing leadership focus), Malaysia (aiming to be a fast-follower in the effective application of technologies, rather than primary research) and Australia (with an explicit focus on resources and agriculture). In this context, it is evidently important to avoid portraying the strategy as a choice between either resource beneficiation or knowledge-intensity - the application of technologies is important for increased beneficiation and value-added. The strategy being formulated by DACST has three focus areas: achieving mastery of technological change in the economy; increasing investment in South Africa's science base; and strengthening and realigning the science and technology machinery of government. At present, the research community is predominantly white, and aging, with research areas that reflect the previous government's priorities.

According to DACST the local research community at present communicates mainly with overseas research groupings. South African firms also communicate mainly with overseas producers for technologies. Apart from notable exceptions, such as Sasol, there is therefore an "innovation chasm" between local research and its application in local production. Application of technology also requires increased investment expenditures in new and more advanced machinery and equipment. This is easier to achieve in an expansionary environment.

Submissions by both labour and industry emphasised that, rather than treating technology independently, it must be linked into the wider issues of the strategies of firms and their investment and training decisions. Technology is not inherently biased to different segments of the economy. Its application can yield very significant gains in rural and small-scale economic activities, and can therefore contribute to increasing integration of the South African economy rather than fragmentation. But, application in these areas requires government leadership to a greater degree as there are economies of scale in research activities and upfront costs which make R&D less likely in smaller entities. In addition, while the gains to the economy as a whole are potentially very large, the financial rewards to an individual enterprise may not appear to be large (and therefore an incentive to invest in research activities).

Empowerment and participation

The poor progress in black economic empowerment is highlighted in the IMS, as is the lack of progress in ensuring equitable participation by women, with black rural women in particular bearing the brunt of ongoing poverty. A four-pronged approach is to be adopted towards black economic empowerment including new offerings, a partnership programme and a non-statutory black economic empowerment advisory council. Support measures and access to finance will be designed to increase the participation in the economy of black people and women. Other submissions noted the importance of integrating meaningful empowerment measures into government's industrial strategy. The labour submission noted the need to adopt a broad definition of empowerment that extended beyond increased ownership to effective participation of the mass of the population.

The lack of effective treatment of relationships between gender and industrial strategy in the various submissions was, however, highlighted by committee members. As noted by the Commission on Gender Equality, the roles of women are influenced by traditional and modern practices of patriarchy which include access to economic assets such as finance and land. The continuing gender division of labour means that women (and black women in particular) tend to work in lower paid and less secure employment, as well as undertaking unpaid work in the household. The gender division of labour is integrally linked to the development path of the economy and continuing high levels of poverty.

Industrial restructuring has evident effects on women, and their participation in the economy. This applies to patterns of employment and unemployment and, for example, the effects of increased practices of casualisation and outsourcing in sectors such as clothing and retail. Concerns raised by the Commission on Gender Equality include: the need to be more explicit in the definition of beneficiaries; ensuring that strategies designed for sectors under customised programmes promote the development of industries in a transformative manner; and that women's organisation need to be taken more into account in economic decision-making. There are implications for measures addressed at micro-enterprises, small firms and co-operatives, access to training, participation in policy formulation, elimination of occupational segregation, and the monitoring of policy impacts.

Conclusions and recommendations

The dti's *Integrated Manufacturing Strategy* is undoubtedly a major advance in developing an appropriate industrial policy to reorient the economy to achieve the objectives of broad-based growth, employment generation and equity. In it the leadership role for the state is clearly established. The challenge is to take this

leadership through to effective strategies at the sector level, through the collection and analysis of information, design of appropriate customised measures and co-ordination of the actions of different government departments and institutions. The urgency of these measures cannot be in doubt given the large job losses which have been sustained across industrial sectors.

There was broad consensus from the hearings that the value matrix framework was a useful approach for understanding the vertical and horizontal linkages between activities, within and across value chains. Similarly, a strong understanding of the various relationships between knowledge-intensity, beneficiation, investment, the financial sector (including the issue of promoting greater access to affordable finance by SMMEs) and increased participation in the economy is crucial for development and successful implementation of the strategy.

There was also consensus on the importance of effective collective action, led by the state, with customised measures based on the specific needs of different sectors. In addition, the focus on research and development and the effective application of technology to improve production capabilities is welcome to reverse the declines in investment in these areas.

There are also a range of tensions which reflect the realities of the South African economy. These tensions include that between the requirements of international competitiveness in established manufacturing industries, and the need to create employment and increase the participation of the mass of the population who are unemployed or under-employed. A similar tension exists between the emphasis on exports and production for the local market. It is important to note that submissions and subsequent debate in the hearings did not view these tensions as representing alternative choices. The high levels of poverty and unemployment are partly a result of the previous industrial policies which simultaneously supported the development of certain industries. And, meeting the imperatives to broaden access to resources, for example, in finance, education and infrastructure, is necessary to ensure the sustainable development of future productive capabilities.

Nor was it argued that exports and local production are mutually exclusive. Export capabilities depend on investment and productive capabilities which are founded on local economic strengths. Increased integration in the domestic economy through better infrastructure provision, affordable access, improved education and skills development, is a key part of the platform for sustained industrial growth and will be supported by an effective set of industrial policies. The application of knowledge also does not intrinsically mean a focus on only one segment of the economy. Indeed, without developing and applying knowledge

appropriate to economic activities across the economy increased economic integration will not be achieved and high levels of inequality will be perpetuated. This relates to the concrete measures in implementing the industrial strategy, and the activities of institutions such as the CSIR and IDC.

Arising from the hearings and the committees' deliberations are the following recommendations:

- ▼ Further clarification is required as to how the value matrix framework is to be applied in practice.
- ▼ There is a need for further clarity on the precise mechanisms through which dti will seek to promote more effective collective action, including how to overcome impediments identified by participants in the hearings.
- ▼ There is an urgent need to build capacity in the dti to analyse the determinants of industrial development within and across sectors, and to design and implement appropriate policy measures.
- ▼ More effective co-ordination around the implementation of the IMS is required between different branches of government such as DACST and dti, and between institutions within COTII. The challenge facing the COTII institutions is not merely to comment in general on the IMS document, but to identify in detail how their own activities will contribute to the advancement of the strategy. The committees accept the point made in the Department's response viz. that they too have an active role to play in ensuring the implementation of the strategy through, *inter alia*, "interrogating the mandates and activities" of the COTII institutions, and through the role they play in "debating and questioning all legislation that the dti and other economic departments table".
- ▼ The role of the IDC needs to be addressed in greater detail, as part of assessing the ways in which the IMS can impact on investment patterns and empowerment. In particular, the IDC's operations in the SME sector and in empowerment must be reoriented to enable it more effectively to "identify and support opportunities not yet addressed by the market", just as it has historically done in large-scale upstream beneficiation.
- ▼ Specific measures to increase research and development activities in South Africa, including additional direct funding by government, are urgently needed. Serious consideration should be given to the proposal by the CSIR to make R & D support a component of customised support packages made available by government to support the IMS. A particular focus needs to be the development of technologies appropriate to the challenges of development and the promotion of employment.
- ▼ Visible and concrete benefits from the industrial strategy must be realised in under- developed and rural areas of the economy.

- ▼ The promotion of co-operatives and other forms of collectively owned enterprises needs to be fostered and encouraged as a major component of SMME and empowerment strategies.
- ▼ There is a need to take empowerment into account in more concrete terms and particularly to address the absence of a substantive treatment of gender. In this respect, the recommendations of the Commission for Gender Equality to engender the IMS merit careful consideration. There is a need, in particular, for customised support programmes to take account of the current gender profiles and problems in promoting gender equality that are specific to industries or sectors to which they are applied.
- ▼ The roles of different levels of government in industrial strategy must be determined. The effectiveness of many measures, such as linkages with infrastructure provision and the operation of industrial development zones, lie in the hands of provincial and local government and municipalities. It is therefore necessary to ensure a high level of co-ordination between a national IMS and the policies and programmes of provinces and local governments. The committees recommend that as part of the ongoing process of consultation, particular steps are taken to engage with the provincial and municipal spheres of government, as well as with other stakeholders operating at these levels.

The committees welcome the interaction and look forward to further debate and engagement in order to strengthen the industrial policy framework. In particular, the committees will seek to promote further discussion and debate on implementation of industrial policy as well as on the interrelationship between industrial policy and:

- ▼ the development of a supportive macro-economic framework;
- ▼ measures to promote greater access to affordable finance for development;
- ▼ empowerment and Training Programmes;
- ▼ further extending the state's developmental role, including that of para-statals.

RESPONSE TO PUBLIC HEARINGS ON INDUSTRIAL STRATEGY

Dr Alistair Ruiters

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1. Introduction

On behalf of the Minister and Deputy Minister, I would like to extend a vote of thanks to the two committees for convening these public hearings on industrial strategy. I would also like to thank all of those organisations that took the time to consider the dti's Integrated Manufacturing Strategy and comment on it during these hearings. The dti is currently studying the various inputs.

There has been some concern expressed by the committees about the limited and, in some instances, absence of participation in these hearings from certain groups, including women, black business, and industry associations. The dti notes this concern and would like to call upon these groups to study the IMS document. The document is available on the dti website (www.dti.aov.za) as well as from provincial offices of economic development, parliament, Nedlac, and the dti in Pretoria.

2. Developing A Shared Vision

These hearings have represented an important moment in the process of developing a shared vision of our economy and the challenges confronting us as we move our economy onto a higher growth path. By conducting these hearings, Parliament has contributed in a significant manner to the process of participatory policy-making in South Africa. This process has been an opportunity for the expression and sharing of different views about our economic future. It also allows us to better understand the commonalities, and differences, in these views. An emerging consensus is slowly starting to take shape and it is the dti's belief that this consensus can be strengthened and taken into an implementation phase through the continuation of dialogue in Nedlac, at a sector level and in different regions of the country.

The conclusion of these hearings does not signify the end of the process. The dti anticipates further discussion and debate with stakeholders to forge a shared vision of our economy as well as a strategy for attaining our vision. As the dti we do not claim to have all the answers and more work is required to move from the framework presented in the IMS document to an implementable plan.

Indeed, partnerships for performance require stakeholders to contribute new and innovative solutions to the challenges outlined in the document.

The public hearings and discussions on critical economic matters put into sharper focus the significant role the Parliamentary committees can play in ensuring the implementation of strategy. Parliament can do this through its approval of the dti budget - ensuring that the budget is a tool for the implementation of the IMS. It is essential that the committees also apply this test to all the agencies that make up the dti Group. The IMS provides a framework for interrogating the mandates and activities of the institutions that comprise the dti Group. Parliament can also ensure that the IMS is implemented through the role it plays in debating and questioning all legislation that the dti and other economic departments table before it.

The IMS document, together with the Microeconomic Reform Strategy, provides the committees with a framework to engage with the work of other parliamentary committees. This would be particularly important in areas such as telecommunications, energy, science and technology, transport logistics, HRD and infrastructure, to avoid unnecessary regulatory burdens and increased input costs.

3. Issues That Need More Thought And Deliberation

Many of the submissions presented over the past few days have recognised three important policy areas identified by the dti in the IMS:

- 1) Manufacturing represents the linchpin of the strategy to improve the economy's performance.
- 2) The role of the state - not only in regulating the economy - but also in providing economic leadership for the transformation of our economy in a manner that also meets our development challenges as a nation.
- 3) The need for customised interventions to address specific developmental and competitiveness challenges in high potential sectors.

Several other themes have also emerged from the inputs made during the public hearings. These require more thought and deliberation by all parties - including ourselves as the dti and its related institutions - and government more broadly. The dti would like to see the Parliamentary committees and Nedlac consider these questions in their further deliberations on the IMS document.

- ▼ What is knowledge?
- ▼ What is a knowledge-intensive activity?
- ▼ How does knowledge-intensity relate to skills and to labour- intensity?

- ▼ Do we abandon old sources of competitiveness?
- ▼ Why not focus more on the production of basic goods for the domestic market?
- ▼ Is there an over reliance on export-led strategies to generate growth and employment?
- ▼ Are competitiveness and development objectives contradictory? What trade-offs are required in the short-term, and does this relationship change over time?
- ▼ What is the strategy to bring marginalised groups, women, youth, rural communities and the disabled, into the economy?
- ▼ How do we integrate the IMS into the Integrated Sustainable Rural Development Strategy and the Urban Renewal Strategy?
- ▼ What is constraining investment rates?
- ▼ How do we ensure that investment serves our socio-economic objectives?
- ▼ How can we factor the potential impact of HIV/Aids on issues such as the labour market, skills development and domestic demand into the IMS?
- ▼ How do we promote greater co-ordination in government?
- ▼ How do we bring about greater alignment of the strategies of the dti Group?
- ▼ What is meant by collective action?
- ▼ What form should partnerships assume?
- ▼ What instruments are available to ensure that partnerships add value to individual efforts?
- ▼ How do we remove the obstacles to effective partnerships?
- ▼ How do we measure our success?
- ▼ What are appropriate indicators for measuring both the improvements in the competitiveness of our economy as well as improvements in equity and living standards?

4. South Africa is a Knowledge Economy

Perhaps the key theme that has emerged from many of the submissions that have been made is a concern about South Africa's readiness to embrace a knowledge economy.

A knowledge economy aims to make use of all the benefits of working smarter. It aims to join technology with human experience in a new way. A knowledge economy needs to draw on the experience and capacities of everyone.

We need to combine knowledge with technology and productive activity to develop our economy and deal with its deep problems. Economic opportunities lie increasingly in people and the knowledge that people possess. This knowledge is

the knowledge of how to produce more effectively and how to read, anticipate and meet the precise needs of customers. The knowledge of workers must be harnessed to raise productivity levels and generate innovations. Experience and expert knowledge are accumulated over a period of time and the increasing casualisation and informalisation of employment typically mitigates against the acquisition and utilisation of knowledge on the job.

Thus, the knowledge economy involves new ways of working, new management practices, new forms of corporate governance, more visionary boards and enlightened managers, new forms of government offerings, and new relations between government, business and labour. The knowledge economy also requires the development of networks and the diffusion of best practice between enterprises.

Studies conducted by the dti in a wide variety of sectors have identified knowledge-driven activities, such as innovation and marketing intelligence, as the prerequisite of their further development. The key blockage to growing these sectors - for example clothing, wine, chemicals, pharmaceuticals and jewellery and others - is frequently the absence of knowledge. Thus, the focus on knowledge is not just a strategy only for high-tech industry but is relevant for the entire economy.

South Africa is already on the path to becoming a knowledge economy. Some sectors have embraced the concept more readily than others.

The economic problems that we currently confront reflect that the economy has significantly restructured and that this restructuring is deep-seated and cannot be easily reversed. This is evident in the fundamentally altered sectoral contribution to gross value-add (the tertiary sector now contributes nearly two-thirds of gross value-add), the change in the labour-skills mix (demand for highly skilled labour has increased in all sectors while at the same time the demand for unskilled labour has fallen), and the rapid deepening of technology (capital to labour ratios have increased despite the relatively high cost of capital). This structural change gives rise to negative social implications that must be addressed through immediate and medium-term interventions otherwise higher growth rates will only serve to exacerbate inequality and poverty.

The challenge we need to meet collectively is how to adjust to this reality in a way that also allows us to achieve our developmental and equity objectives, and that brings the full potential of our people and their knowledge into this process.

Government has already responded to the challenge: a growth-orientated and redistributive budget was announced this year and the Microeconomic Reform

Strategy sets out government's plans to improve the efficiency of the economy. The Integrated Human Resources Development Strategy and the forthcoming Technology, Research and Development, and Innovation Strategy address key challenges in areas that are imperative for a knowledge economy. Both of these strategies address issues such as the recognition of prior learning and the advancement of indigenous knowledge systems. Widespread education and training are basic requirements for effective integration into the knowledge economy and more needs to be done to address this fundamental prerequisite. Infrastructure planning is also seeking to significantly widen the access to affordable telecommunications and physical infrastructure, which are essential to a broad-based knowledge economy.

The dti will respond to the challenge through a closer working relationship with its social partners in specific sectors and value matrices to promote increased output and employment at a sector level. This work is hampered by the absence of a credible, highly-organised and unified business voice in South Africa. In addition, forthcoming small business development and black economic empowerment strategies will address questions around marginalisation and economic development. The dti strongly believes that it is now well-placed as an institution to meet the challenges that are set out in the IMS:

- ▼ To act as a facilitator of the Microeconomic Reform Strategy
- ▼ To champion the pursuit of competitiveness and equity in a global economy
- ▼ To work with social partners in sectors to develop customised interventions
- ▼ To efficiently provide relevant broad-based products and services

5. Conclusion

As early as 1994 stakeholders, including parliamentarians, trade unionists, business people, commentators, politicians, have all expressed a common concern about the absence of a document that clearly articulates a shared vision for our economy. We believe that with the release of the Integrated Manufacturing Strategy we have gone some way in addressing this concern.

The IMS sets out a framework for achieving a vision of an economy that can sustainably meet the needs of all our people. A detailed implementation plan needs to follow. A key step in this process would be for Parliament and all social partners to work with the dti to shape this plan and to ensure that sufficient resources are allocated to the implementation of the plan.

UNCTAD'S TRADE AND DEVELOPMENT REPORT 2002

INTRODUCTORY REMARKS BY PROF BEN TUROK (M P) AT THE SOUTH AFRICAN LAUNCH

Ben Turok is an ANC Member of Parliament

It is a privilege for me to introduce this excellent report by the United Nations Conference on Trade and Development (UNCTAD). It is a model of clear analysis and will do much to advance the cause of a better deal for developing countries worldwide.

This Launch comes appropriately just after the introduction by S A's Minister of Trade and Industry of the document "Accelerating Growth and Development" which is intended to create a new momentum for our manufacturing industry. In a sense the two reports should be read together so that we can learn from international experience, especially as UNCTAD deals with actual processes in the real economy. It may also be a useful corrective to some of the broad generalisations about the benefits of globalisation in the international literature.

UNCTAD's report deals comprehensively with the experience of industrialization in developing countries in the conditions of globalisation. The most important finding is that the benefits of integration and expansion of world trade depend on how countries participate in the trading system and how trade is linked to domestic economic activity.

For more than a decade, world trade has been growing faster than world income. But the fruits of the increased trade have been apportioned unevenly. Many developing countries increased their exports substantially, but their income from that trade diminished instead of increasing. The reason for this paradox is that industrial countries imported goods produced by foreign assembly operations by their Transnational Corporations (TNC's) located in developing countries, creaming off the better part of the value added. Furthermore, simply measuring growth in export values are a poor guide for assessing the real benefits of world trade.

The result is that while the G7 accounts for half of world trade, it receives two thirds of global income. In the industrial countries manufacturing value added exceeds manufacturing trade, while we find the opposite in developing countries - trade exceeds value added and therefore income.

The share of industrial countries in world income rose from 73 percent in 1980 to 77 percent in 1999 even though their share of world manufactured exports fell from 80 percent to 70 percent. For developing countries we find the reverse. This shows that the hopes of closing the income gap between industrialized and developing by means of exports were unfounded.

The increased exports by developing countries is associated with a substantial shift from primary commodities to skill and technology intensive manufactures, though much of these skills are embodied in components produced in the advanced countries. Manufactures accounted for 70 percent of developing countries exports at the end of the 1990's, rising from 20 percent in the 1970's, while the share of agricultural commodities fell from 20 percent to 10 percent.

The Report states that rapid liberalization of trade and foreign investment (FDI) has been the chosen policy and it has led to a rapid expansion of exports for many countries, but for almost all developing countries imports expanded faster than exports, resulting in a deterioration of their trade balance.

Differences are due in part to the specific stage of development of the exporting country. In the least developed countries, access to world markets provides opportunities to exploit previously underused land and labour to produce larger volumes of primary commodities for export. Even though value added may be low, this provides incomes and work for the underemployed population as well as foreign exchange for the government.

However, even though there has been a rise in exports for some primary products, the share in exports from developing countries between 1980 and 1988 fell from 50 percent to 19 percent. At the same time the share in exports from developing countries in the area of high skill manufactures rose from 12 percent to 31 percent.

Somewhat more developed countries have been able to begin to diversify and process commodities for export. But real advance only comes with the production of manufactured goods, first by traditional labour intensive methods and then with more sophisticated techniques. But it is here that the problems of uneven benefit arises since the increased value added through technological upgrading in the context of international production sharing leads to unequal benefits.

How these lessons impact on South Africa needs a great deal of analysis. We have some very sophisticated industries which are independent while others are indeed part of an international value chain. There is always the danger that the latter industries will be "hollowed out" by global integration (the Sentrachem example has

been quoted) in addition to the unequal returns discussed above. But do we also have scope for exploiting our generous natural resources by labour intensive means, thereby mopping up our huge pool of unemployed?

Of much importance for South Africa the Report argues that generally exports should be upgraded, not by imported technology and skills but by domestically produced skills thus raising the domestic value-added content of output and exports. There may also be scope for a greater reliance on the domestic market in order to create jobs.

Despite present day claims about the advantages of globalisation, it is common cause that the development of the industrial countries was based on their home markets. Even now, the Report argues that in France, Germany, Japan and the U S the ratio of manufactured exports to manufacturing value added stands at a fairly low level. The reverse is true for many developing countries. Clearly for South Africa an appropriate balance must be struck between the two.

The Report also cautions against undue optimism about greater access to industrial country markets. "Contrary to earlier expectations, developing countries have gained little from the Uruguay Round agreements in terms of access." The majority of developing countries with capacity to expand exports of labour-intensive manufactures continue to face significant barriers and these can take many forms, including hidden ones.

Yet access can be achieved. The Report gives much space to China's advances. For instance China expanded exports faster than imports and accelerated growth without relying on foreign savings. At the same time, labour intensive manufactures, at low wages, amount to 90 percent of China's total exports. Crucially for the arguments in this Report, these traditional labour-intensive export industries have high value added and little direct import content. As we have seen this is very different to most of the developing countries discussed above.

China also has a strong payments position and large inflows of FDI. Most importantly, because China has a large stock of scientists and engineers it has the potential to leapfrog the industrialization process rather than continuing to rely on absorbing the surplus labour in relatively low value-added, labour-intensive manufactures.

Our own industrial policy is pressing hard on moving up the value chain as part of the competitiveness strategy. That there are significant obstacles in the way is clear from the Report. Above all we have to ensure that as we increase our exports, the benefits accrue here and not abroad.

OBITUARY - DR. SIPHO SIBUSISO MASEKO

By Kole Omotoso



Dr. Sipho Sibusiso Maseko died on 17th March 2002 after a long battle with cancer. His death is a loss not only to this journal but also to the very idea of intellectual work in South Africa and the rest of the continent. We were colleagues at the University of the Western Cape and neighbours in Kenwyn (between Kenilworth and Wynberg) in the Southern suburbs. It was quite easy for me then to walk over to his house to speak to him about a headhunting proposal. A senior political figure had asked me to speak to him of the possibility of Dr. Maseko coming to head the politician's outfit with a view to helping to inject ideas and dynamism into the growing outfit. Sipho was not interested. The conversation did not even get to the point of discussing remuneration. Sipho told me straight that he wanted to function as an intellectual with a university base. I could not fault the position. Activist and intellectual, Dr. Maseko received his B.A at the University of the Western Cape and his Honours degree at the University of Natal. He received his Master's degree from Queen's University in Canada and his Doctor of Philosophy from the School of Government of the University of the Western Cape. His thesis, from which we publish a chapter in this issue, is entitled "From Pavement Entrepreneurs to Stock Capitalists: The Case of the Black Bourgeoisie in South Africa." If ever there was evidence that the struggle in South Africa was for people of African origin to be part of a working and rewarding modern state, here is the historical background to that struggle.

Dr. Maseko has contributed to publications such as ELECTION '99: SOUTH AFRICA FROM MANDELA TO MBEKI and NAMIBIA'S LIBERATION STRUGGLE: THE TWO-EDGED SWORD. He contributed articles to both local newsmagazines, newspapers and journals. In his research and teaching Dr. Maseko, according to his colleagues at the University of Stellenbosch where he was associate professor at the time of his death, "focused on the international political economy, South African political dynamics and on comparative politics, especially social classes and social movements."

His political activity expressed itself in his leadership of the Azanian People's Organisation of which he was chair of the University of the Western Cape's branch as well as later chair of the Western Cape branch. He broke away from Azapo in 1995 for personal reasons. NEW AGENDA commiserates with his young family as well as his parents.

FROM PAVEMENT ENTREPRENEURS TO STOCK EXCHANGE CAPITALISTS:

THE CASE OF THE SOUTH AFRICAN BLACK BUSINESS CLASS

By Sipho Sibusiso Maseko

Submitted in partial fulfilment of the requirements for the degree of Doctor Philosophiae in the School of Government, University of the Western Cape. 2000

Issues in the Struggle for Black Capitalism

The discussion in the previous chapter raised two main issues concerning the status of the black business class during the first half of the 20th century. It showed how intolerant and repressive the white governments were toward this class in the urban areas. It also showed how these governments, in turn, were forced by the logic of the policy of racial segregation to allow a limited number of black entrepreneurs in the townships. These entrepreneurs effectively operated convenience stores that traded in petty commodities such as food, soap, candles, and so on, largely to the migrant work force based in the cities. Thus, to re-emphasise, the early generation of the black entrepreneurs was both very small and operated outside the ambit of the mainstream economy. As a result of the restrictive environment in which they had to operate, instances of their growth and expansion are few. However, a crucial factor to emerge from the early generation of repressed black entrepreneurs was the formulation and articulation of a distinctive entrepreneurial ideology. Also significant were their attempts, through black nationalist organisations and traders' associations, to remove the restrictions that impeded the development of a black business class. The importance of these developments is twofold:

Firstly the entrepreneurial ideology that emerged served to keep the spirit of black capitalism alive, despite the repressive policies of the white governments. Secondly, this ideology, together with the class-specific organisations they established, served as a platform upon which the successor class organisations representing the back entrepreneurial class built their programmes in the 1960s and beyond. This chapter, therefore, discusses briefly, the origins of the black nationalist movement and the organisations to which it gave rise, particularly the ANC and traders' associations, in the fight for the inclusion of blacks in the ownership and control of the capitalist economy.

The nationalist struggle and the fight for black capitalism

The primary focus of the ANC at its inception in 1912 was the attainment of what it considered the constitutional rights of blacks in South Africa. Principally, these entailed equality of opportunity within the country's economic life and political institutions. Initially, however, as indicated, the ANC spoke for, and sought to promote the wellbeing of, mainly the upper class or educated, "civilised" elite. These people faced pressures of the type previously cited by John Makue at the hearings of the South African Native Affairs Commission in 1904. In common with other elite-driven nationalist movements in India and West Africa noted in Chapter Two, the ANC believed that Western and Christian norms were closely interrelated, and therefore accepted the arrangement of a qualified franchise for blacks in the Cape Province as their ideal. Its early thinking on the economic advancement of blacks was clear on the need to focus on the black elite. For example, the constitution of the ANC in Natal, unveiled in 1915, stated that the objectives of the organisation were:

"To plead and make representations for the welfare of the brown people of Natal and Zululand, and to help the Government to inquire into matters detrimental to the well-being of the brown people under the Constitution of the Union of South Africa. To assist the brown people and advise them about education and positions suitable for educated persons... The Committee for Works shall find for natives and girls places where they may learn trades; shall devise ways and schemes for Natives to establish business undertakings for their benefits, and hunt for better plans to form Native Trading Companies."

That the ANC would, in the course of time, need to extend its appeal beyond the black elite was inevitable. This was because the successes of nationalist movements elsewhere, have relied on the generation of a mass support base, which transcends class barriers. It is evident, for example, that the ANC's steady development was complicated by the arrival on the black political scene of the Industrial Commercial Worker's Union (ICU), formed in 1919. The ICU brought to the political agenda the interests of members of the working class in the rural and urban areas. At the time when the ICU was formed, the ANC had yet to broaden its appeal across class lines. As a result, the ICU, attracted members of the working and middle classes who were severely disadvantaged by economic neglect. From the mid-1920s, both the ICU and its splinter rival organisation - the Independent-ICU, under the leadership of Clements Kadalie, himself a former secretary-general of the original ICU, initiated self-help co-operatives and business ventures for its members. Most of the ICU business initiatives, however, failed to develop successfully, and the organisation began to decline in the late 1920s, in part because of internal organisational problems.

Nonetheless, the influences of the ICU's initiatives, which drew mass appeal, and, as it will be discussed later, Booker T. Washington's ideas of "race pride" and "self reliance", pushed the ANC to conceive more broad-based programmes for the economic advancement of black people. In 1927, an ANC committee produced a 13-point commercial and industrial programme that committed the organisation:

- ▼ "to promote and organise business in the name and on a behalf of the National Congress;
- ▼ to organise all businessmen (sic) into an association for mutual assistance;
- ▼ to give financial assistance, where necessary, to businessmen on terms and conditions to be stipulated by the Executive Council;
- ▼ to approach any wholesale commercial agents or brokers in order to arrange terms for them;
- ▼ to see that businesses are conducted according to modern methods;
- ▼ to keep members well informed of current market prices;
- ▼ to secure trading rights and licences for intending traders and to give legal advice on matters affecting business;
- ▼ to organise clubs, and hotels, and to acquire by purchase or lease, halls and other buildings and properties;
- ▼ to organise buses, taxis, and motor lorries;
- ▼ to organise sick and burial societies;
- ▼ to organise the sale and purchase of produce and livestock;
- ▼ to encourage industries 'among blacks';
- ▼ to collect and raise funds for the purpose of carrying out the above- mentioned objects."

A theme that stands out prominently in this programme, and which was later apparent in the approach followed by NAFSOC (discussed in the following chapter), was one which suggested the creation of a separate economy by, and for, black people. This theme clearly was influenced by the approach pursued by the Negro Business League (NBL) headed by Booker T. Washington, in the United States. For example, the President-General of the ANC, Pixley Isaka Ka Seme, in a pamphlet issued in 1932, argued for the restoration of links between the black elite and the masses of the poor, for the purposes of developing economic prosperity among blacks in South Africa. Ka Seme's views had clearly been shaped by lessons learnt from the NBL, following his visit to America in 1907. To demonstrate this, Ka Seme is quoted at some length below:

"There is no reason why the educated Africans should throw away their tribal connections and so much desire to be regarded as being detribalised natives. I fear that in this sense the so-called 'detribalised natives' have not properly considered their positions and their duty towards their own people.

We need more of what the American Negro calls 'Race Pride'. In that country you find coloured people most highly educated and efficient in the leading professions who cannot be distinguished from the white people, nevertheless refusing to be regarded as whites. Their mothers are Negro Africans and they want to remain as Africans also. If our African people would only take a leaf from this book of Negro life in America, how much richer our people would be from trading between ourselves. I wish to urge our educated young men and women not to lose contact with your own tribes... Most of the misery, which our people suffer in the towns and the country today is due to this one factor, (the lack) of confidence between the educated classes and their own uneducated people. The former cannot open any business relations amongst the latter and get good support because to be able to establish a business anywhere you want confidence. The Indian trader succeeds because he makes friends with all classes and ever tries to win their confidence. You must learn to do likewise. Moreover the so-called 'educated native' is the loser in the show because by cutting himself adrift from all tribal ties he becomes a prey and a victim to false standards of living. He copies the white man, his tastes and standards of living, without the least thought that all that must cost more money than he can possibly afford or be able to earn in his position. I say that we can and should, through the African National Congress, be able to regulate our standard of living and adjust ourselves to all the necessary changes of dress and progress as a nation. Congress can make us learn how to produce our wants as a nation. We can learn to grow up cotton and wool and make our own leather, boots, bags and harness from the skins of our cattle; we can cut African timber and supply good furniture to all African homes."

The advent of the ANC's programme to foster black entrepreneurship came about at the same time as efforts to form class-specific organisations from the late 1920s onwards. While the initiatives of the ICU had given impetus to the establishment of class based programmes ANC activists subsequently played a prominent part in their formation. The key aspect leading to the establishment of black entrepreneurial organisations, however, was the demand for the issuing of trading licences to black businesspeople. The first of these initiatives was the formation of the Black Traders' Association (BTA) on 27 October 1925, with a membership of 123 traders. In 1927, a collaborative venture involving black and Indian businesspeople led to the formation of the African and Indian Trading Association Limited. Among the blacks in the latter organisation were T. D. Mveli Skota, ANC general-secretary, and Henry Reed Ngcayiya, a prominent ANC activist.

In 1931 the BTA changed its name to the Orange Free State Traders' Association (OFSATA). By then its membership had dropped to 120, and of these 91 were illegal

traders (57 hawkers and 34 eating kiosk owners). Part of the explanation for the drop in OFSATA membership, and for the fact that the majority of its members were unlicensed, can be ascribed to the efforts of local government in the Orange Free State to protect the interests of white traders. The local governments blocked the issuing of licences to blacks, despite the fact that the Natives (Urban Areas) Act of 1923 allowed blacks to run enterprises in their locations. Thus, in a submission to the Inquiry into Native Trading in 1932, the Kroonstad Town Council (supported by the Orange Free State Municipal Association and members of parliament) argued that:

"Shopkeepers, whose trade is principally with the Natives, have spent large sums of money in acquiring property and building premises to place themselves in a position to cater for the Native trade. If this trade is to be taken away from him he will be deprived of the means, not only of carrying out his obligations to the Municipality and earning a reasonable rate of interest on his capital invested, but also of making a livelihood."

Notwithstanding the setbacks of OFSATA, business organisations were also formed in other areas of the country. In 1932, the Bantu Business League was formed in Natal, with a former member of the ANC executive committee, Reverend John Dube, as its president. Another organisation, formed in 1938, was the African Business League, an umbrella body of Johannesburg-based business associations and co-operatives. However, it does not appear that these organisations were particularly effectual. This could have been primarily due to the small numbers (1,636 in 1936) of urban-based black entrepreneurs, which limited their capacity to effectively challenge the state. Despite their shortcomings, such organisations became the seedbeds for the subsequent establishment of large and effective organisations, especially the National Federation of African Chambers of Commerce formed in the early 1960s.

Black trade politicised

As previously mentioned, one of the immediate issues that concerned black entrepreneurs, and around which they organised from the 1920s onwards, primarily centred on the acquisition of trading licences, although other issues that troubled them included a lack of facilities, and the prohibition against owning business properties and forming companies. In trying to address the problem of licensing, black businesspeople used a variety of strategies. One was to appeal directly to the authorities through commissions appointed by the government. Consider this example of an appeal made in 1932:

"Since the present Government came into power, some 20 000 Natives have been thrown out of employment, and those who had little capital to settle in businesses have been rigidly refused licences to trade among their own

people... In the good name of God, I appeal to the softest parts of human nature of the members of this commission to open the gates of economic restrictions and thereby give the Native races some chances to better themselves under the economic system of the country."

Another strategy was to take part in the elections of the local government advisory boards and the Native Representative Council (NRC), and to use their presence in these structures to encourage the issuing of licences for black businesspeople. For example, in December 1928, the Congress of Local Advisory Boards, a coalition of black councillors, drew up a memorandum petitioning for the issuing of licences, and argued that:

"Trading of Natives in locations is one of the most important steps of economic development which goes hand in hand with the Government scheme of Native development and should, therefore, be left intirely (sic) to the discretion of local authorities, because of the fact that in their discretion they are more or less influenced by the views of foreign small traders who live intirely (sic) from Natives. Congress is opposed to the granting of trading rights to local authorities in the locations. If such a state of affairs were to be allowed the consequences of such a policy would have detrimental effect in retarding Native incentive to economic progress."

In 1937, Richard Grenville Baloyi from Alexander, near Johannesburg - an owner of a fleet of buses - described as a typical "Native capitalist", Thomas Mapikela from Bloemfontein, and Richard Godlo from East London, were elected to the NRC. In subsequent elections other black businesspeople were also elected including A. W. G. Champion and Paul Mosaka (in the place of Baloyi), and farmer-businessmen such as Charles Sakwe and Dr Moroka.

Black businesspeople also used the strategy of appealing to their white representatives in parliament to use the influence they might have to secure licences. Referring directly to Senator J. D.

Rheinallt-Jones, Keeble Mote, an activist of the ICU in the 1920s and a businessman who sat in the Kroonstad Advisory Board in the Orange Free State in the 1930s, argued:

"We want full trading rights in the Free State and not have (half) measures. You must please respect the Bantu public feeling in the same way as the Minister respects or fears European public feeling. You were sent to the Senate by the African electorate and therefore we expect you to play the game."

Lastly, they joined trade unions, particularly the ICU, in their struggle to obtain

licences. In that respect, it is of interest to note that labour unions, at the time, generally embraced the idea that a black capitalist class was progressive and necessary. This is evident in a statement attributed to Champion, leader of the ICU in Natal, in 1932:

"I speak as what is known as a labour leader when I say that Communists are opposed to [Native] interests and that the capitalist class must be created among all non-European races in South Africa. Without such a class there would be 'no hope of liberation', for history revealed that 'the capitalist is and always will be the backbone of every country'."

Chiefly opposed to, or at least reluctant to support the issuing of licences to black traders were the white local authorities, even though the government had amended the Native Areas Act in 1930, granting the Minister of Native Affairs power to exert pressure over "dissident" municipalities. Local authorities also frequently ignored white public opinion on the issue, probably because it emanated from some sections of the white liberal community. An editorial of the *Forum*, a liberally oriented newspaper, commented that: "The principle that Bantu (people) should be encouraged to develop trades and industries in their reserves, location and townships has been clearly laid down by Parliament." It added that the delay of many months experienced by licence applicants was "grossly unfair and contrary to the Native policy of the Union. Johannesburg (local authority), with its tradition of liberalism, should know better."

In reality, however, no essential discrepancy existed between the local authorities and central government regarding the existence of a black business class. Both these arms of government were in agreement that blacks were "temporary sojourners" in the cities, and that they intended keeping the number of black traders in the urban areas to a minimum. Their priorities, however, diverged in their efforts to balance the varied political and economic interests of the South African population. As was shown at the 1932 Inquiry into Native Trading in the Orange Free State, the local authorities explicitly sought to protect white traders from the threat of competition from black-run enterprises. The central government, on the other hand, had to contend with the contradictions engendered by the policy of racial separation. In that respect, it viewed the lack of enterprises to service the needs of blacks in their own residential areas as likely to cause social and other forms of instability.

By and large, the strategies adopted by black entrepreneurs to achieve their desired goals appeared ineffective. At the same time, the patterns of white economic domination were reinforced and seemed unassailable. For example, R. G. Baloyi, who ran a lucrative bus service in Alexandra Township, complained in the early

1940s that he was squeezed out of business by better-capitalised, white-owned operations that had free access to black areas. At the same time, the refusal by the authorities to grant blacks trading licences still persisted. A black businessman in the then eastern part of the Cape Province, complained in 1947 in the *ICU Bulletin*, a local newsletter of the Industrial Commercial Union, as follows:

"It is a perfect scandal, that a location with a high-sounding name like 'The Duncan Village' (near East London), should not have a single certified and legal butcher shop. People who want decent meat at the right price have to go all the way to town and back - two miles - and then very often they come back without finding the meat because this commodity is now unprocurable after 10 am each day. In the location, of course, there are hundreds of 'Black Markets' butcher shops on the outskirts, and some in the dusty streets of the location, where flies hover in swarms over half-putrid meat."

Radicalisation of black politics

At the same time that black entrepreneurs faced the pressures described above, the ANC, under the leadership of Pixley ka Isaka Seme had from the early 1930s, also become increasingly ineffectual and was reduced to a near dormant state. As various researchers have explained, this state of affairs was the result of tensions between different leadership cliques and the dwindling popular impact of the organisation. However, developments during and after the war years facilitated the reawakening of the ANC. Amongst these developments were the upsurge of potent trade union activity, evident in the then largest ever workers' strike in 1946, and the pragmatic leadership of A. B. Xuma, who succeeded ka Seme. Under Xuma, the ANC was able to accommodate within its rank individuals with different ideologies and political orientations - for example, communists (such as Moses Kotane), so-called Africanists (such as Anton Lembede), moderates (such as Z. K. Matthews) and so-called pragmatists (such as A. B. Xuma). In addition, the formation of the ANC Youth League in 1943 subsequently led to the adoption of the assertive 1949 Programme of Action. Thus, from the late 1940s into the 1950s, the revival of the ANC was marked by its departure from its erstwhile strategy of petitions to one of direct protest action. This was evident in the mass civil disobedience protests, which began on 26 June 1950 with the "stay-home" boycott, and climaxed with the Defiance Campaign of 1952. The latter campaign centred on the defiance of apartheid regulations, such as the use of public amenities reserved for whites, and the disobeying of pass laws and municipal curfews.

Two main interpretations were advanced in the wake of the ANC's apparent radicalism. Adherents of the thesis of CST, which was discussed earlier, argued that the ANC had come to realise that the experience of oppression had inextricably

linked the interests of the black middle class, workers and peasants. In that way, according to this view, black people were bound to forge an all-class alliance in the struggle for first a national democratic revolution, which would thereafter lead to a socialist revolution. However, contrary to this view, a large section of the black petty bourgeoisie, as shown by the history of Nafcoc, did not side with the working class and the unemployed in South Africa. Instead, Nafcoc fought for the advancement of bourgeois interests that were different from those of other classes.

Another - and perhaps more accurate - interpretation of the ANC's radicalism was that "the ANC was not a movement oriented strongly towards the working class", but rather one which encompassed "a composite of interests." Thus, the radicalism of the ANC was a response to the pressures that had reduced many members of the black middle class to the lot of the poor before and after World War II. Simultaneously, as is typical of many nationalist movements, the ANC sought to mobilise the masses to carry forward its nationalist ideals through populist programmes. As a consequence, the radicalism that the ANC assumed in the 1950s did not indicate that it had become a radical organisation of a socialist type, but rather that it had become a body embracing a variety of viewpoints, including socialist, nationalist and moderate perspectives.

Indeed, while the ANC was becoming increasingly radicalised, the flame of entrepreneurship among blacks did not die out. Before and after World War II, rapid economic expansion, especially in the manufacturing and service sectors in South Africa, attracted migrant labourers in search of employment opportunities. The increase in the urbanisation of black people also increased the number of black entrepreneurs, many of whom emerged from the informal business sector. Prominent black tycoons of the 1970s and 1980s such as Richard Maponya and Ephraim Tshabalala, originated in the 1950s from the informal business sector, which was the main route available to black entrepreneurs at the time. The limited social and economic environment in which these black entrepreneurs operated - among other things - served to heighten their class-consciousness. In 1955, this led to creation of the first national business organisation -called the African Chamber of Commerce (ACOC). Characterising the organisation as a "chamber of commerce" rather than a "trader's association", signified their purpose to enter the mainstream of the economy. Keeble also observed that this characterisation was the result of the influence of their black counterparts in the then Rhodesia (now Zimbabwe). She described this influence as follows:

"During 1954, J. C. P. Mavimbela, J. M. Mohlala and S. J. J. Lesolang, all members of the Orlando Traders Association, attended a Moral-Rearmament Conference in Salisbury, (Rhodesia). While in Rhodesia, they took the opportunity to visit a Chamber (of Commerce) organised by Rhodesian African

traders. They were introduced to, among others, Mr Simario, proprietor of a large bus service company, and Mr Moamoka, owner of a large general dealer concern. These men showed the visitors their Chamber's offices and businesses. The South Africans were so impressed that they decided, on their return home, to change their traders association into one powerful Chamber."

Indeed, the approach adopted by Nafcoc which succeeded ACOC at the beginning of 1960s, indicated that it wanted black businesspeople to take charge of the economy, especially within the black community. ACOC had disbanded by the end of the 1950s, according to Keeble, because of clashes among some of its prominent members.

This chapter discussed key issues that spurred the rise of Black Nationalism. It showed that the primary reason for the formation of the ANC was the black elite's desire to advance their economic well-being, and to fight, initially, for their inclusion in the existing white controlled legislative structures. However, subsequently - typical of a nationalist movement and also in response to the formation of the ICU - the ANC broadened its mass appeal to embrace both the working and middle classes. Its struggle for black capitalism was supported by other organisations such as the traders' associations. Although these organisations did not last long, they nonetheless laid the basis for the development of a black entrepreneurial class's awareness.

DEVELOPMENT ECONOMICS: COPING WITH NEW CHALLENGES, ESPECIALLY GLOBALISATION

Jomo K. S.

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As is well-known, development economics fell into disrepute in the West, especially in the USA, with the rise of neo-liberalism from the late 1970s (Toye 1987). This coincided with the denunciation of Keynesian economics with the simultaneous occurrence of inflation and slow growth, seemingly contradicting the Philips' curve trade-off associated with the "neoclassical synthesis" or co-optation of Keynes.

The 1980s began with Carter appointee US Federal Reserve chief Paul Volcker's sharp reversal of developing country growth of the 1970s, with the UN promise of a New International Economic Order, following the 1973-5 oil price hike, subsequent commodity price booms and low real interest rates, thanks to Anglo-American commercial bank recycling of petroleum revenue to lend to developing country governments and high inflation.

Thus, the Reagan-Thatcher decade began with the debt crises of Latin America, Africa, Eastern Europe, Korea and the Philippines, enabling the post-Bretton Woods International Monetary Fund (IMF) to take over macroeconomic policy with its stabilisation policies and the World Bank to require indebted governments to abandon development policies in favour of economic liberalisation through structural adjustment policies.

In the World Bank, the McNamara era associated with the intellectual leadership of Hollis Chenery gave way to the appointment of Anne Krueger as Chief Economist and Deepak Lal as head of research soon after the publication of his *Poverty of Development Economics* (1983).

Although the end of the Reagan (and Bush) years and temporary Japanese ascendance eventually saw some easing up of the counter-revolution against development economics, the damage was irreversible and unlikely to be rectified by the Third Way of Clinton and his later European imitators with their continued neo-liberal commitments.

The appointment of Joe Stiglitz to Krueger's previous position seemed to promise a critical reconsideration of the now hegemonic Washington Consensus if not more, but the circumstances leading to his forced resignation soon put a stop to such hopes.

The East Asian crises of 1997-8 had rather mixed consequences. Despite the facts, the neo-liberal lobby continues to portray the episode as one due to East Asian dirigisme rather than inappropriate financial liberalisation. For a brief period from around mid-1998, it seemed to promise serious consideration of a new international financial architecture, but with the containment of the Russian and LTCM crises, changes are likely to be limited to the plumbing and wiring at most.

Coping with Globalisation

Meanwhile, however, the protests at Seattle and since have continued to remind the world that all is not well with liberalisation, with its international manifestation in the form of globalisation. It is therefore useful to begin our reconsideration of development economics by the some issues exacerbated by the current phase of globalisation.

It seems necessary to begin with two rather obvious points. First, globalisation is not inevitable. Second, globalisation means different things to different people, like the proverbial elephant and the blind men.

At least five aspects of economic globalisation pose serious challenges to the developing world, so much so that many in the South now think of globalisation as inimical to development. These aspects include: 1) international trade; 2) foreign direct investment (FDI); 3) international finance; 4) strengthened intellectual property rights and technological access; 5) the new institutional economic governance.

International Trade

Although there is more controversy around international trade theory than commonly acknowledged, it seems likely that there are potential gains from trade due to international specialisation, and that much existing protection is more burdensome than advantageous.

Nevertheless, however, advocates of trade liberalisation need to consider so-called "transitional costs" (e.g. employment and income losses due to trade liberalisation, including the destruction of existing industries, jobs, etc.) and that there is no guarantee that better new jobs will replace lost jobs.

Besides such theoretical objections, experience reminds us that the consequences of trade liberalisation are generally far more severe than in make-believe worlds of constrained economic analysis with its convenient, but unrealistic assumptions about the real world.

Developing countries have much reason to continue to be concerned about a variety of observed long-run trends including:

- ▼ deteriorating terms of trade for primary products compared to manufactures, as first studied by Raul Prebisch and Hans Singer.
- ▼ deteriorating terms of trade for tropical primary products compared to temperate primary products, as observed by the Jamaican Nobel economics laureate, W. Arthur Lewis.
- ▼ more recent price deflation of generic manufactures produced by newly industrialising countries' industries with relatively low entry barriers.

Perhaps most importantly from a development perspective, trade liberalisation undermines the possibility of developing temporarily protected "infant industries". While import substituting industrialisation has undoubtedly had a mixed record for a variety of reasons, the East Asian miracle was undoubtedly principally due to *effective protection conditional on export promotion*, rather than trade liberalisation or open economies, as claimed by neo-liberal "spin-doctors".

Foreign Direct Investment

The debate on the pros and cons of foreign direct investment (FDI) continues without any consensus, though there has been greater appreciation of the gains from "green-field" FDI compared to other types of capital inflows.

However, it is important to recognise that the role of such FDI in the East Asian miracle was modest, accounting for less than two per cent of gross domestic capital formation during the high growth periods in Japan, South Korea and Taiwan compared to the developing country average of around 5 percent.

In the aftermath of the 1997-8 Southeast Asian economic crises, it is now generally acknowledged that the region's industrial capacities and capabilities had been much weaker because of greater reliance on and domination by FDI. Foreign industrial domination also meant that public policy in the region tended to be dominated by financial rentier interests, which contributed to its greater financial vulnerability.

The 1999 UNCTAD World Investment Report shows that most FDI in the 1990s has been for mergers and acquisitions (M&As), not "green-field" FDI which would create

new productive or economic capacities. In developing countries, M&As have mainly involved acquisitions, particularly during periods of distress, especially after the ever more frequent currency and financial crises of recent times.

As Paul Krugman has shown, such "fire-sale FDI" has further undermined the likelihood of superior management due to M&As, already considered dubious in business management theory.

International Financial Liberalisation

Three expected gains touted by advocates of international financial liberalisation have simply not materialised. First, there have not been net flows of funds from capital rich countries to the capital poor, except to East Asia during the early and mid-1990s until the massive and sudden capital flight of 1997-8, associated with the currency crises. In fact, capital flight from other developing and transitional countries has increased with the pressure for capital account liberalisation.

Second, the expected lower cost of funds has not materialised especially when compared with the real interest rates of the second half of the seventies, associated with "financial repression". While some margins have declined, financial deepening has increased the variety of rentier claims.

Third, while financial deepening has undoubtedly reduced some of the old sources of financial volatility and vulnerability, it has also introduced new sources, resulting in the greater frequency and magnitude of currency and financial crises with international financial liberalisation.

Also, the policy influence of financial interests has grown (e.g. with greater central bank independence), resulting in greater deflationary macroeconomic policy bias throughout the world, whereas the post-war record suggests that moderate inflation has contributed to growth.

Financial liberalisation has also undermined the deployment of financial policy instruments to accelerate development, which even the World Bank's 1993 East Asian Miracle study acknowledged was successful in promoting growth and structural change in the region.

Technology

While the pace of technological change and innovation has undoubtedly

accelerated in recent years, strengthened intellectual property rights in recent years have raised the costs of acquiring technology, reduced the likelihood of technology transfers and strengthened transnational corporations' monopoly powers and abuses, with adverse consequences for development and industrialisation in the developing countries.

New International Economic Governance

The Bretton Woods institutions - the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development or World Bank - have been increasingly seen as obstacles to development because of their role in promoting economic liberalisation, especially since the 1980s, despite dubious empirical and theoretical support for the claims of the proponents of the Washington Consensus.

They have also been seen as taking advantage of economic distress to push through policy agendas promoting economic liberalisation and globalisation favouring powerful transnational corporate interests.

The new World Trade Organization (WTO) has a more democratic governance structure than the Fund and the Bank, where one dollar gives one vote besides the excessive weight of the founders, especially the US.

Nevertheless, the WTO is now widely seen as furthering the neo-liberal project of the Washington Consensus. It is perceived as far more powerful and biased than its predecessor, GATT (General Agreement on Tariffs and Trade) was and promoting trade liberalisation at the expense of development.

For example, GATT's General System of Preferences (GASP) - which sought to compensate for systemic bias in the world trading system - is now gone in the name of levelling the playing field. The Multi-Fiber Arrangement (MFA), despite all its problematic consequences, did allow developing countries to begin industrialisation with the textiles industry, but is being phased out. Local content requirements - so crucial to industrial protection and promotion efforts - are no longer permissible.

Perhaps most importantly, the new WTO new procedures and processes clearly favour rich and powerful countries despite the formal democratic rules - as recent experiences suggest.

The last two decades associated with globalisation and liberalisation have also been associated with much lower growth than the quarter century after World War

2. All the evidence points to increased economic volatility, growing international economic inequalities, reduced aid flows and other contradictory economic developments favouring transnational corporate - especially financial - ascendance. Economic development is increasingly seen in terms of economic Darwinism except that social safety nets are now supposed to stop the devil from taking the hindmost.

Since one size does not necessarily fit all, there is no universal formula for desirable national level reforms to cope with globalisation. Appropriate policies need to take into account specific national conditions, feasible options available etc. but the five challenges outlined earlier will all need to be addressed.

The big challenge for economic policy and regulation then is really at the international level. The governance of international organizations - such as the Bretton Woods institutions and the WTO - has to be fundamentally reformed in favour of equitable and sustained development, rather than assuming that liberalisation and globalisation will somehow miraculously achieve this objective.

Conclusion

Almost a century ago, during the last era of globalisation, the English liberal, John Hobson, condemned imperialism - which he saw as due to the corrupting and expansionist public policy influence of the rise of powerful monopolies or oligopolies. Sadly, contemporary economic liberals do not seem to recognise how liberal principles have been compromised by their policy agenda's tacit and implicit support for contemporary oligopolistic corporate interests and power.

It seems that our understanding of contemporary challenges to development can benefit from two critiques, namely of theories of imperialism, including dependency theories as well as of globalisation, and development economics, including its origins in growth theory, Keynesian theory, applied welfare economics, other microeconomic foundations, strategic trade theory and open macroeconomics.

Various developments in economic theory may have something to offer development economics, including the Austrian school critique of neoclassical economics, endogenous growth theory, the critique of rational expectations, institutionalism as well as Keynesianism. Recent new analogies - e.g. to evolutionary biology instead of quantum physics - may also offer useful insights.

Particular attention needs to be given to recent developments, including the new ascendance of finance (Wall Street over main street, USA) as well as phenomena associated with the so-called "new", "weightless" economy and other impacts of

OUR WORLD IS NOT FOR SALE

WTO: SHRINK OR SINK

Martin Khor - Third World Network

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It's time to stop corporate globalisation and to fight for another world we know is possible. In November 1999, the World Trade Organization's (WTO) Third Ministerial Meeting in Seattle collapsed in spectacular fashion, in the face of unprecedented protest from people and governments around the world. Since then around the world in rich and poor nations alike, millions of people have joined the fight for a just and sustainable future and against corporate globalisation.

Despite the promises to improve the system made at the end of the Seattle ministerial aimed at countering the WTO's crisis of legitimacy, no improvements have taken place and instead things have gotten worse. The time is overdue to roll back the power and authority of the WTO. The democratic, transparency and accountability deficits in this institution, which supposedly promotes free trade, have in fact only contributed to the concentration of wealth in the hands of the rich few, growing inequality within and between nations, increasing poverty for the majority of the world's peoples, displacement of farmers and workers especially in third world countries, and unsustainable patterns of production and consumption.

The protestations of workers and farmers, human rights and environmental activists, religious and indigenous leaders worldwide and of third world governments regarding imbalances and problems in implementation of the GATT Uruguay Round Agreements are being swept aside. The WTO's allegedly neutral Secretariat, a group of mainly wealthy governments and the corporate lobbies, are struggling to put the WTO back to business as usual - expanding corporate globalisation. The built-in review negotiations of the WTO Agreements on agriculture, services and trade-related intellectual property rights have been steered away from review and repair, towards further ravage and ruin.

Governments were bamboozled and blackmailed into accepting a new round of WTO-expanding negotiations at the Fourth Ministerial Meeting held in Qatar on 9-13 November. Seductively nicknamed the "development round," the real agenda for a new round was to expand the scope of corporate access and privileges under

the WTO regime to investment, government procurement, competition policy, and more.

Such further benefits to transnational corporations will further put at risk national and local economies; workers, farmers, indigenous peoples, women and other social groups; health and safety, the environment, and animal welfare. All this is taking place in the context of increasing global instability, the collapse of national economies, growing inequity both between and within nations and increasing environmental and social degradation, as a result of the acceleration of the process of corporate globalisation.

The time has come to acknowledge the crises of the international trading system and its main administering institution, the WTO. It is time to stop the new round and turn trade around to serve the interest of all. We need to replace this old, unfair and oppressive trade system with a new, socially just and sustainable trading framework for the 21st Century.

We need to protect cultural, biological, economic and social diversity; introduce progressive policies to prioritise local economies and trade; secure internationally recognised economic, cultural, social and labour rights; and reclaim the sovereignty of peoples and national and sub national democratic decision making processes. In order to do this, we need new rules based on the principles of democratic control of resources, ecological sustainability, equity, co-operation and precaution.

In light of the above, we make the following demands of our governments:

No WTO Expansion

We reiterate our opposition to continued attempts to launch a new round or expand the WTO by bringing in new issues such as investment, competition, government procurement, biotechnology or by accelerated tariff liberalisation. Expanding the WTO into issues such as investment and competition policy or requiring all countries to adhere to WTO government procurement rules (starting with an initial phase of transparency rules), would threaten national self determination and the survival of small and medium sized local firms and farms, remove support for local economies, and cause immeasurable social and environmental damage. We also reject the new tactics of the European Union in particular to sneak in investment and competition negotiations by introducing them as plurilateral agreements. There must be a moratorium on further trade liberalisation initiatives at the WTO. Instead, the issues of inequity - implementation issues - for developing countries must be urgently addressed. These should not be linked up in the context of further liberalisation negotiations.

WTO Hands Off

Protect Basic Social Rights and environmental sustainability

It is inappropriate and unacceptable for social rights and basic needs to be constrained or over- ridden by WTO rules. Protections critical to human or planetary welfare, such as food and water, basic social services, education, health and safety, environmental sustainability and animal well-being must not be undercut by commercial agreements. Inappropriate encroachment by trade rules in such areas has already resulted in citizen campaigns on genetically modified organisms, old growth forests, domestically prohibited goods and predatory tobacco marketing.

Gut GATS

Protect Basic Social Services and Public Protections

Areas such as health, education, energy distribution, water and other basic human services must not be subject to international free trade rules. In addition, the GATS must not limit the ability of governments and people to regulate in order to protect the environment, health, safety and other public interests. In the WTO General Agreement on Trade in Services (GATS), the principle of "progressive liberalization" and the implications of foreign investment in service sectors has already led to severe problems such as deregulation of essential services.

Stop Corporate Patent Protectionism - Seeds & Medicine are Human Needs, not Commodities

All intellectual property policies must allow governments to limit patent protection in order to protect public health and safety, especially patents on life-saving medicines and life forms. The patenting of life forms including micro-organisms must be prohibited in all national and international regimes. Current intellectual property rules in trade pacts, such as the WTO TRIPs agreement, obstruct consumer access to essential medicines and other goods, lead to private appropriation of life forms and traditional knowledge, undermine biodiversity and keep poorer countries from increasing their levels of social and economic welfare. There is no basis for inclusion of such intellectual property claims in a trade agreement.

No Patents on Life

The patenting of life forms and other intellectual property rights over biological resources must be prohibited in all national and international regimes. Genetic diversity is not a category of private property and biopiracy or theft of traditional knowledge must be stopped.

Food is a Basic Human Right

Stop the Agriculture Agreement Fraud and Calamity. The Agreement on Agriculture is fraudulent because the subsidies going to export oriented industrial farming have not been reduced (but instead gone up), whereas the small farmers are suffering from import liberalisation wiping out their livelihoods and incomes. To avoid further calamities to millions of small farmers, action must be taken immediately to drastically reduce or remove support for export-oriented agriculture and to reverse import liberalisation

Measures taken to promote and protect genuine food sovereignty and security as well as to promote small farmers practicing sustainable agriculture must be exempted from international trade rules. The trading system must not undermine the livelihood of peasants, small farmers, artisanal fishers and indigenous peoples.

The basic human right to food can only be realised in a system where food sovereignty is guaranteed, meaning the right of peoples to define their own food and agricultural policies as well as the right to produce their basic foods in a manner respecting cultural and productive diversity.

No Investment Liberalisation

The WTO Trade Related Investment Measures (TRIMS) Agreement must be eliminated. All countries and especially third world countries must have the right to use policy options (such as local content policy) to increase the capacity of their own productive sectors, especially small and medium enterprises. Obviously, the TRIMS review must not be used to extend the investment issue in WTO. We therefore reiterate our strongest opposition to attempts to start negotiations on investment rules, or an investment framework or an investment agreement of whatever kind in the WTO. The proposals for a GATS-type approach, or an initial transparency agreement on investment, or a plurilateral agreement, are only changes in tactics aimed at drawing in countries or groups that have refused to support a more extreme investment agreement. The objective of giving unprecedented rights to foreign investors remains the same, and we reject all these seemingly watered-down approaches which have the same ultimate goal as the discredited MAI.

Fair Trade: Special and Differential Treatment

Special and differential rights for third world countries must be recognised, expanded, and operationalised in the world trading system. This is to take into account the weak position of third world countries in the international trading system. Without the enforcement of special and differential rights, there can be no

possibility of third world countries benefiting from world trade.

Prioritise Social Rights and the Environment

"Free trade" puts corporate profits before people and the environment. We need fair trade. Fundamental human and workers' rights must be respected, promoted and realised, as must the environment, health, education, indigenous peoples' rights, development, safety, food security, and animal welfare. For example, the ILO Declaration on Fundamental Principles and Rights at Work, the Convention on Biodiversity and its Biosafety Protocol and the UN Declaration on Human Rights must be actively realised. The WTO must not undermine such genuine international social and environmental agreements.

The importance of promoting, respecting and realising fundamental worker rights and other human rights by all relevant means includes action at the appropriate international institutions.

Democratise Decision-Making

People must have the right to self-determination and the right to know and decide on international commercial commitments. Among other things, this requires that decision-making processes in negotiations and enforcement at international commercial bodies be democratic, transparent and inclusive. The WTO operates in a secretive, exclusionary manner that shuts out WTO Members and the public. It is dominated by a few powerful governments acting on behalf of their corporate elite.

Dispute the System

The WTO dispute settlement system is unacceptable in so far as it enforces an illegitimate system of unfair rules and operates with undemocratic procedures and also usurps the rulemaking and legislative role of nations and local governments.

A socially just international trade system will also require change outside the WTO. A socially just international trade system must take prior account of the rights and welfare of the workers and farmers who produce and provide the commodities and services. All governments and all international agencies must address the attacks by multinational corporations and governments on basic workers rights; the reversal of the gains of workers' struggles; the undermining of job security; and the race-to-the-bottom in wages. Workers rights must be strengthened worldwide.

Also, the International Monetary Fund, the World Bank, and the regional development banks must write off 100 percent of the debts owed to them by poor countries so the countries can reallocate these funds and use for example for poverty eradication and development. The use of structural adjustment conditionality to force trade liberalisation in third world countries and elsewhere must be stopped. Governments must negotiate, through the UN system or other appropriate bodies, with full democratic participation, a binding agreement to ensure that corporate conduct is socially and environmentally responsible and democratically accountable.

Conclusions and Consequences

We are committed to a sustainable, socially just and democratically accountable trade system. Thus, as a first step, we demand that our governments implement the changes listed in this document in order to roll back the power and authority of the WTO and turn trade around.

We commit ourselves to mobilise people within our countries to fight for these demands and to defy the unjust policies of the WTO. We will also support other people and countries who do so with international solidarity campaigns.

THE JANUS FACE OF GLOBALISATION

By J. Andrew Grant

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Introduction

The general goal of the 1999 United Nations Development Program (UNDP) *Human Development Report* is to advance issues relating to human development in this current "age of globalisation". Central to these issues is the following question: is globalisation with a human face possible? The human face of globalisation suggests that globalisation operates in a manner that places people ahead of profit. This means that the human face of globalisation upholds human rights, encourages equity between and among individuals and states, promotes socio-economic stability, and espouses sustainable environmental and development practices.

The 1999 Report states that globalisation with a human face may be achieved if an effective set of global and national reforms is implemented in order to protect the world's weak and marginalised. The reforms are intended to keep markets free but fair through regulation in the form of institutions and rules. This will be attained in part through stronger governance at the local, national, regional and global levels.

Janus, a Roman god who is represented as having a single head with two faces looking in opposite directions, is an appropriate symbol of globalisation. I argue that globalisation with a human face is possible; however, the converse is also possible. The human face of globalisation presents myriad opportunities to increase human well-being. This includes economic growth and development; freedom of political expression that transcends borders; and the free flow of ideas, information, and technological innovations. The "other" side of the Janus face of globalisation refers to its unequal and inequitable tendencies. These tendencies exist in the form of growing unemployment rates, lower labour standards, economic uncertainty, societal vulnerability, cultural homogeneity and environmental degradation. If globalisation is allowed to proceed in an unmanaged and unfettered manner, which is largely the case at present, then its benefits will spread to much fewer people, firms and countries. Several of the aforementioned tendencies will be examined through a brief discussion of globalisation and globalisation(s), labour,

economic inequality between the North and South, and human development and security. These trends will be addressed through an assessment of the strategies and policy implications put forward by the authors of the 1999 UNDP Report for stronger global governance in order to counterbalance the effects of globalisation

Globalisation and Globalisations

Globalisation, broadly conceived, refers to the increasing level of human interaction across both national borders and the world. The result is a myriad of new economic, political, technological, intellectual and cultural developments. The literature on globalisation tends to focus on the economic processes and political consequences of globalisation. The economic aspects of globalisation refer to the reduction of barriers to trade, such as tariffs and quotas, which is entailed by the expansion of both free trade blocs and zones, as well as bilateral and multilateral trade agreements. These initiatives enable capital, primarily in the form of foreign direct investment and transnational corporations (TNCs), to increasingly move unfettered and unregulated both within and among domestic markets. The political aspects of globalisation pertain to the erosion of the state's capacity to implement policies within its own borders.

One may also speak of "globalisations", a usage of the term which denotes the different ways that globalisation is conceptualised in terms of its effect on the political power of the state. Kenichi Ohmae views globalisation as an economic force that is replacing the policy-making role of the state. This neoliberal perspective is based on the assumption that the globalisation of economic activity has fostered massive increases in the influence of transnational capital, consisting of TNCs, foreign direct investment (FDI), and international financial institutions (IFIs), such as the International Monetary Fund (IMF) and World Bank. Conversely, Stephen Krasner argues that despite some erosion of its overall sovereignty, the state retains its paramount role in the global economy because of its possession of juridical sovereignty and *de facto* sovereignty. This observation is based on the state's claim to coercion and legitimacy, which transnational capital has not seriously challenged. Linda Weiss contends that states are flexible actors that are capable of reacting to the forces of globalisation. This flexibility is contingent upon a particular state's level of strength in terms of its domestic institutions, linkages with key economic actors, and overall transformative capacity.

Globalisation and Labour

One of the main critiques of globalisation is that it facilitates the adversarial role of transnational capital versus workers. Without the control of state structures and

policy-making to introduce and enforce labour laws, transnational capital becomes unrestrained. Intuitively, the economic integration of globalisation would seem to have a significant impact on both workers and labour markets. Free market forces of globalisation, such as unrestrained FDI flows, the proliferation of TNCs, increased trade, and the reduction of barriers to workers' migration, affects labour markets in that the demand for unskilled labour becomes more elastic. This means that unskilled workers can be more readily replaced by other domestic or foreign workers.

With the reduction of trade barriers, particularly those envisioned under free trade agreements, all workers are subject to market instability, job insecurity, unemployment and low wages. Low- or unskilled workers are more susceptible to these consequences of free trade than skilled workers because the latter are harder to replace. Consequently, low- and unskilled workers are much more likely to harbour feelings of anxiety and insecurity about their jobs. Dani Rodrik emphasises that although this model of elastic demand for labour seems intuitively correct, very little research has been conducted to determine the degree of elasticity of demand for low-skilled workers in response to economic integration under globalisation. Trade volumes, immigration rates and prices are significant factors that have not been included in the few studies that have been done. Rodrik states that more studies must be undertaken in order to give scholars a clearer understanding of the effect of globalisation on labour markets.

Scholars do know that globalisation requires both governments and corporations to cut costs due to international competition. International competition to attract FDI has led governments to reduce corporate taxes. In turn, less money is allocated to both social services and the public sector jobs that are necessary in order to deliver those services. Governments rarely raise personal income taxes due to the unpopularity of such a move among the electorate. For corporations, the majority of cost-cutting is realised by reducing labour costs through lay-offs and "restructuring". Capitalists argue that these are positive developments because both actors become more efficient. The obvious downside is that these cost-cutting measures affect individuals in terms of the feelings of rejection and under-appreciation that come with being laid-off, having one's wages reduced, or even being transferred horizontally. Unemployment brings uncertainty and depression, in addition to the obvious stress of having to find another job in order to earn a living.

The above argument may be applied to jobs that are both moderately skilled and pay moderately well. In Germany, labour costs average about US\$29 per hour. This rate is among the highest in the world, and is approximately double the average labour cost in the United States. In order to remain competitive, German companies are compelled to invest outside the country. For example, Volkswagen's

New Beetle is built in Mexico, thereby saving a significant portion of labour-related production costs. In 1997, "German companies invested about 10 times as much money outside Germany as non-German corporations invested within Germany." With the introduction of the Euro on 1 January 2002, foreign investment by German companies is expected to increase. With a common European currency and increased economic integration, companies from countries within the European Union (EU) will look to invest in other member-states that have lower average labour costs and less comprehensive employment benefits packages, such as Spain and Portugal. German firms present a prime example of how economic integration of globalisation enables corporations to increasingly out source both labour and components for their products.

Economic Inequality between the North and South

The strong economic character of globalisation lends credence to the fear that the wealthy industrialised countries of the North will set the pace for future global economic development. Globalisation fosters a set of both aggregate concentrations of power and deprivations of power among the countries of the world. This is often referred to as a sort of hegemony that is enjoyed by the North, which is based on economic power and influence. Moreover, free-market initiatives have not decreased the gap between the rich industrialised countries of the North and the developing countries of the South. The interests of transnational capital depend on a continued North-South economic gap because the costs of the factors of production are typically much less in developing countries. The IMF and World Bank would seem like logical candidates to eliminate the North-South gap. However, these institutions are heavily influenced by corporate interests (transnational capital) who have a direct stake in the maintenance of the status quo.

FDI capital is mostly located in the developed countries of the North, and moves primarily among these countries, thereby bypassing the countries of the South. Recent minor changes have occurred in terms of including the South in global investment flows. FDI outflows originating from the Triad, which consists of the countries of North America, Europe and Japan, numbered some 94 percent of the world total in the 1980s. Twenty two percent of global FDI outflows were directed to the economies of developing countries. By 1993-95, the Triad's share of global FDI outflows decreased to 84 percent, while the proportion of total global FDI outflows to developing countries increased to 38 percent. The TNCs of developing countries are also growing in terms of FDI. In the 1970s, FDI outflows from developing countries accounted for only 0.3 percent of world totals. By 1993-95, this figure rose to 15 percent. Despite the increase of FDI to developing countries, the influx of capital has not improved substantially the standard of living in these countries.

Statistics from the early 1990s show that approximately 800 million people do not have regular access to the basic necessities of life, such as food, water and shelter. Roughly, the same number of people are illiterate. UN data indicate that as many as 100 countries were worse off at the end of the 1990s than they were in 1980. Furthermore, increased FDI inflows do not seem to reduce economic disparity between individuals. In the 1960s, the richest 20 percent of the world's population owned 70 percent of the world's wealth. By the 1990s, this figure jumped to 85 percent. Conversely, the poorest 20 percent of the world's population owned 2.3 percent of the world's wealth in the 1960s, compared to a meagre 1.4 percent in the 1990s. These figures indicate the level of economic disparity that exists among the world's population. The relevant point is that the wealthiest portion of the world's population resides in the developed countries of the North and the poorest portion is located in the developing countries of the South. Clearly, globalisation has not remedied the economic disparities that exist between the North and the South.

Human Development and Security through Global Governance?

Human development and security are closely linked. Human development is most accurately determined by the human development index (HDI). The HDI, devised over a decade ago by the late Mahbub ul Haq, consists of three indicators: average life expectancy; average education level; and per capita income. A country's overall level of human development is based on an aggregate score of performance on these three measures. The HDI represents a departure from the orthodox indicator of human development based on per capita Gross National Product (GNP), which calculates all the "wealth" produced by both the residents and the government of a particular country.

The related concept of human security has undergone a significant conceptual change. The 1994 UNDP *Human Development Report* instigated a major paradigmatic shift from traditional notions of human security issues, which focused primarily on the state and its objectives of territorial integrity, national security and welfare provision. The report instead emphasises the individual as the locus of human security. Human security is now defined as the protection of individuals from unstructured violence, which may be accompanied by mass migration or scarcity due to environmental catastrophes or degradation, such as deforestation and desertification. Human security also pertains to the protection of individuals from crimes such as financial fraud, political corruption and drug trafficking. In economic terms, human security promotes access to employment as well as the resources necessary for the basic maintenance of life. Social elements include freedom from discrimination, the right of freely association, and access to health care and disease preven-

tion. Political human security includes democratic voting rights; legal rights of justice; protection from abuse; and laws that enable ethnic, cultural and religious minorities to express their respective identities.

The 1999 UNDP *Human Development Report* accurately contends that the "pains" of economic efficiency that globalisation tends to generate must be counterbalanced to promote human development and security. The report proposes a three-pronged strategy to attain this objective: stronger social protection policies must be instituted by national governments; international co-operation must take place in order to solve human development problems that are beyond the national scope; and nongovernmental organisations (NGOs), firms, and communities must participate in facilitating human development. The policy implications of the report point to the necessity of implementing effective governance on a global scale. In the report's extensive list of initiatives global governance is to include a stronger United Nations; a global central bank; a world environmental agency; and an international criminal court.

Interestingly, the report echoes the ideas on global governance put forth by the Commission on Global Governance (CGG) four years earlier. Global governance, as envisioned by the CGG, entails a flexible decision-making process based on the relationships between intergovernmental institutions, NGOs, TNCs and citizens' movements. The CGG contends that this form of global governance, which is to be supported by a global civil society and civic culture, is the ideal model for global peace and prosperity in the near future. While the authors of the 1999 UNDP Report advocate relatively strong governance of the global market, the COO states that global governance should "rely primarily on markets and market instruments, *perhaps with some institutional oversight.*"

While global governance is a laudable, if not idealistic, endeavour, it tends to place a great deal of faith in not only the ability of states and various domestic and international actors to co-operate, but also in the willingness of states to relinquish aspects of their sovereignty. It seems highly unlikely that states will forgo even a minute amount of sovereignty in order to build such a scheme of global governance. Moreover, in this era of globalisation, it is unclear whether or not states have the capacity to implement policies that will promote human development and security. Several authors, such as Susan Strange and Kenichi Ohmae, have posited that the capacity of the state is being eroded by forces of globalisation in the form of rapid transnational capital and FDI flows, the related actions of TNCs, and the power of the IMF and World Bank. While many doubt the severity of the erosion of state capacity in the age of globalisation, few would argue that the policy-making role of the state has not been undermined to a

certain extent. Furthermore, some contend that the emerging role of the state is as a facilitator rather than a director of global capital.

Conclusion

In this era of globalisation, individuals are more closely linked than ever before. Rapid innovations in communication and information technologies have made large geographical distances largely irrelevant. The proliferation of multilateral trade agreements reduces the importance of national borders, as capital, information, ideas, and individuals flow much more freely. The Janus face of globalisation means that while these "shrinking world" trends represent positive opportunities for augmenting human development and security in the form of economic growth (i.e., the human face), the "negative" face should not be ignored. For example, the relatively free movement of capital and trade facilitates the operation of a global underground economy. The global underground economy allows crime syndicates to flourish as money laundering and stolen goods are subject to fewer restrictions. Similarly, "blood diamonds", which fund violent insurgency movements in countries such as Sierra Leone and Angola, are traded through illicit networks and eventually end up on the legitimate world market.

The above discussion of globalisation and globalisations, labour, economic inequality between the North and South, and human development and security places a great deal of emphasis on the state, and to a lesser extent, the importance of co-operation from communities, firms, NGOs, and the IMF and World Bank. The question arises as to whether these bodies are able to control the forces of globalisation in such a manner that a human face is achieved. The authors of the 1999 *Human Development Report* are optimistic. In a normative and liberal tone, the authors call on these bodies to provide stronger governance that, in turn, will guide global market competition to positive human ends.

The obstacles to achieving globalisation with a human face are numerous; however, they are not insurmountable. Recent events provide the means for a level of guarded optimism in this respect. NGOs, unions and concerned individuals organised protests directed at the negative effects of globalisation during the World Trade Organisation (WTO) Ministerial Conference in Seattle, USA, from 29 November to 3 December 1999. These protests gained worldwide media attention, which also serves to draw attention to the dangers associated with globalisation. The above discussion indicates that turning the Janus face of globalisation to the human side requires a great deal of both effort and faith on the part of actors at the local, national, regional, and global levels.

DOES SOUTH AFRICA'S MEMBERSHIP OF WTO, UNDERMINE THE PROSPECT OF INDUSTRIALISATION?

A COMPARISON WITH EAST ASIA

By Langa Zita

Langa Zita is a ANC Member of Parliament

Since the collapse of the WTO ministerial summit in December 1999 at Seattle, there has been renewed interest in the role of this organisation. Critics like Lamprecht in South Africa and international scholars and activists like Bello have raised reservations on the relevance and usefulness of the WTO to the developmental needs of the developing world. By development, we mean the structural changes in society reflecting the levels of industrialisation, without however dismissing other meanings of development. My emphasis on industrialisation is to address the question whether South Africa's membership of the WTO will undermine the prospect of sustained industrialisation or not?

In a recent essay Lamprecht, a senior researcher with the Institute for Global Dialogue, wrote;

"This document on the international investment agreements signed by South Africa, stems from two concerns. The first regards the extent to which these agreements provide the South African government with the necessary "flexibility" or policy space to regulate foreign investment for the purpose of achieving national development goals. These are outlined in South Africa's reconstruction and development programme, which not only sets targets for essential social service and infrastructure, but also addresses environmental and labour standards. The second regards the extent to which these agreements balance the rights and the obligations of home countries, host countries, and investors, to transfer technology, promote quality investments, keep the environment clean and implement fair labour practices are concerned." (Lamprecht, 2000, p.3)

Whilst Lamprecht's concept of development is rather broad, her criticism of the WTO encompasses the narrower focus on specific industrialisation concerns such as, "national development goals", "transfer of technology" and "quality investments". Bello's concerns with the WTO clearly relate to its relevance to the industrialisation process. He says:

"In signing on GATT (as a step to the creation of WTO) Third world countries were committed to banning all quantitative restrictions on imports, reduce tariffs on many industrial imports and promising not to raise tariffs on all other imports. In so doing, they have effectively given up the use of trade policy to pursue industrialisation objectives. The way that the NICs, or "newly industrializing countries", made it to industrial status, via the policy of import substitution, is now effectively removed as a route to industrialisation" (Bello, 2000, p.6)

He particularly singles out the Agreement on Trade Related Investment Measures (TRIMS) and the Agreement on Trade Related Intellectual Property Rights (TRIPs). He contends that as a result of these agreements, such measures that were used by NICs such as "local content" requirement on multinationals can no longer be used. Lamprecht argues that these agreements are anti developmental and inflexible in that they take away the policy space of governments to ensure that foreign investment does create employment, transfer technology and transfer local skills (Lamprecht, 2000, p.17)

What is late industrialisation?

Much of these debates hinge on the concept "late industrialisation". The thesis of late industrialisation was pioneered by Gerschenkron in 1962 based on his studies of how countries that industrialised after Britain such as Germany, France etc, were able to catch up. His major contribution was on the role of the state in this process. More recently, Alice Amsden, amongst them have made invaluable contributions to this question, based on what can now be called a classical study on the economic development process in South Korea.

For instance Amsden says: "Countries with low productivity require low interest rates to stimulate investment, and high interest rates to induce people to save. They need undervalued exchange rates to boost exports, and overvalued exchange rates to minimise the costs of foreign debt repayment and imports - not just imports of raw materials, which rich and poor countries alike require, but also of intermediates and capital goods, which poor countries alone are unable to produce. They must protect their new industries from foreign competition, but they require free trade to meet their import needs. ...Insofar as the state in late industrialisation has intervened to establish multiple prices in the same market, the state cannot be said to have gotten relative prices 'right', as indicated by supply and demand. In fact, the state in late industrialisation has set relative prices deliberately 'wrong' in order to create profitable investment opportunities." (Amsden, 1989, pp. 13-14)

Clearly, other East Asian countries followed similar late industrialisation policies based on major interventions by the state. At times it seems that South Africa is on the same path. But a closer look at the policy options undertaken by the ANC government since 1994 shows considerable caution with regard to the role of the state in the economy. For instance, a senior government official in the Department of Trade and Industry, Alan Hirsch (1997) argued that their policy framework drawn from the United Nations Industrial Organisation (UNIDO) was informed by the following conclusions:

- ▼ The pace of technical and organisational change in the firm is such that policies must be flexible and dynamic (UNIDO notes that "the shelf life of (government) that succeeded in the 1980s may already be exhausted")
- ▼ Incentives are more likely to succeed than sanctions (though this might not always be the case as in the example of some export taxes on primary products)
- ▼ And governments should not interfere too much with enterprise level decisions; they should rather create an appropriate enabling environment (Hirsch, 1997,p.6)

This explains why over the past six years the ANC government has not sought to play a robust role in driving the economic development of the country and preferred a policy of creating an "enabling environment". But this policy has not achieved the desired results.

Hence, there are emerging a number of pressures from within the tripartite alliance of the ANC, SACP and COSATU, for a more robust role for the state in the economy.

A recent SACP Central Committee Discussion document, *Budget 2000-some notes states*: "Countries such as Taiwan and Singapore had low inflation and high surpluses, whilst South Korea had high levels of debt over the 20-30 years. What made this possible and fundamentally defined their success was the fact that they cushioned the process of accumulation both from the vagaries of their own domestic monetary and fiscal policies as well as those of the global order. This was achieved through the public control of the financial sector, which made the access to credit not to be dependent on capitalist financial markets. This made the rate of the interest rates (in the capitalist financial markets) inconsequential to the process of accumulation in the real economy.

Over time these industrial policies starting off with labour intensive production methods, and quickly graduating to higher value manufacturing - led to the structural change in these economies transforming them from primary producers to exporters of manufacturers. Industrialisation has led to very high levels of growth and high levels of employment". (SACP, 2000, p.5)

These positions were reinforced at a SACP strategy conference (26-28 May 2000), where the following resolution was adopted: "This conference has resolved on the need to shift the focus of economic policy and debate away from macro economic issues and towards the productive economy. We have resolved on advancing the perspective of a coherent industrial strategy that embraces the manufacturing sectors, but also mining, agriculture and services. This will, of course, have implications for macro policy, which must be aligned with such an industrial strategy." The SACP argues:

1. The growth and development path must be based on the mobilisation, in the first place, of domestic capital resources (including public, parastatal, social and private domestic capital) around a coherent industrial strategy. This is an approach that is more likely to draw in significant flows of foreign direct investment.
2. This industrial strategy - while obviously involving the core manufacturing sector - must also encompass mining, agriculture, services and the 'new economy'. This approach must include sector-by-sector strategic plans, as well as spatial planning.

Further resolves that:

1. The crucial institution for the further elaboration and, above all, for the implementation of such an industrial strategy is a national democratic developmental state." (SACP, 2000, p.1)

In the run up to its own National General Council was held on the 11 to 15 of July 2000, the ANC argued in one of its papers *ANC - People's Movement and Agent for Change* that: "In broad terms, socio economic processes such as the national democratic revolution - require strategic subjective interventions to shape unique social relations.

"Changing South African society in a manner that decisively improves people's quality of life requires boldness in thinking that shakes up convenient comfort zones.

For instance, in dealing with matters of the allocation of capital for investments, to look at the balance between bank based and Stock Exchange systems of raising capital; incentivised and enforced savings; assistance to SMMEs; fostering of the co-operative sector and so on, should we be satisfied with merely tinkering with the so-called 'modern sophisticated economy and infrastructure that the white man bequeathed us' or should we search for bold and creative solutions" (ANC, 2000, p.32).

It would appear therefore that right across the ANC led alliance there is an emerging consensus on the necessity for a much more robust developmental role for the state in the economy not against the markets but in strategic leadership of

the markets. It is in this light that we pose the question of the implications of the country's membership of the WTO for industrialisation. And, whether there is an alternative, more progressive route for South Africa.

The WTO and Late industrialisation in South Africa

Some writers believe that it is possible to tilt the balance of power in the WTO in favour of developing countries. They argue that the present WTO regime, whilst not perfect, is not irreconcilable with the emergence of developmental states in the Third World.

According to Amsden: "The WTO, like the GATT, enables members to protect themselves from two types of foreign import competition: competition from aggregate imports that destabilises their balance of payments (Article XVIII); and competition that threatens their individual industries due either to an import surcharge (Article XIX on temporary safeguards) or to an unfair trade practice (Article VI on anti-dumping and countervailing duties)". (Amsden, pp. 2-3 1999).

This means that, even though the WTO regime reduces restrictions for global trade, there are nevertheless provisions to limit access to domestic markets if this is seen as detrimental to specific domestic industries. These provisions can also be used to defend and protect infant industries. Amsden argues: "Despite the fact that the level of tariffs fell after the Uruguay Round of trade negotiations, developing countries have bound many of their tariffs at fairly high levels (or have left them altogether unbound) as the starting point for their entry into the WTO. (As earlier argued) in the event of an important threat, they can raise their tariffs to these levels and keep them there for at least eight years" Amsden (1999,p3)

Both Lamprecht and Bello see the agreement on TRIMs as one of the major setbacks in the WTO. Lamprecht understands the agreement as prohibiting South Africa from giving national investors preferential treatment, restricting imports and defining local content stipulations.

However, a different reading can also be offered on this question. Amsden says: "As a consequence of a limited agreement in the area of TRIMs, developing countries are able to maintain or even strengthen local content requirements. They can also retain trade balancing stipulations and the 100 percent export requirement of export processing zones, both of which are forms of export promotion." (Amsden), 1999, p5)

A number of countries have used the provisions within the new 1998 TRIMs agreement. These include Argentina, Malaysia, Mexico and Chile for their automotive industry, while

Thailand and Indonesia used it for selected products and India used it for its pharmaceuticals industry. Thus, both the legal status of the document as well as recent history would tend to refute Lamprecht and Bello's contentions.

However there may be a more valid case with respect to TRIPs. The TRIPs regime stipulates a minimum patent protection for 20 years and even more for semi conductors and computer chips. Furthermore, it imposes stringent border regulations against products that are seen to be violating intellectual property rights, whilst placing the burden of proof on the presumed violator. Bello is spot on when he says: " what is 'technological diffusion' from the perspective of the late industrialiser is 'piracy' from that of the industrial leader. The TRIPs regime takes the side of the latter and makes the process of industrialisation by imitation much more difficult from hereon. It represents what UNCTAD describes as 'a premature strengthening of the intellectual property system... that favours monopolistically controlled innovation over broad based diffusion' ". (Bello, 2000, p.7).

So one asks to what extent does this situation undermine technological access and development by the Third World? The subsidies appear to be proscribed in the WTO regime, they are prohibited for exports as against domestic inputs. The rest are "actionable" (i.e. can be punished if proved to be injurious). The permissible subsidies relate to research and development (R&D), regional development and environmental issues. As a result of subsidies for R&D any high tech industry can receive unbounded subsidies to strengthen its science and technology capacity. Whilst this does not solve the problems posed by the TRIPs agreement and the need for struggle, these unbounded subsidies can be used to entice technological transfers through the promotion of science parks and export promotion zones.

In conclusion, a number of legitimate concerns have been raised about the proscriptive nature of the WTO regime to the industrial developmental needs of the developing world. There is no doubt that there are a number of problems in the present regime, which should and must be changed. However, it is also true that the neo-liberal bite of this organisation has no teeth. More importantly for South Africa, a determined effort to undertake serious industrial development through an active state can be achieved despite the existence of the WTO regime.

THE GLOBALISATION OF CAPITAL AND WHAT IS AT STAKE AT THE WORLD SOCIAL FORUM

Francois Houtart

Summary of the paper presented at the meeting of the WSF International Council at Sao Paulo (June 2001)

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The World Social Forum (WSF) at Porto Alegre, in January 2001, was an important cultural turning point: from "there is no alternative" it moved to "another world is possible". However, there is a long way ahead of us in exploring these alternatives, both in redefining "utopias" (what kind of society do we want?) and in working out mid-term and short-term solutions.

The globalisation of capital

The current globalisation is the result of a new phase in the accumulation of capital, with its social, political and cultural components. The Keynesian era had made allies of the three components (capital, labour and the state), thanks to increased productivity, but when the latter declined there was a decrease in the rate of accumulation. In order to reactivate it, a new neo-liberal strategy was set in motion (the Washington Consensus).

There was to be a twofold approach. On the one hand, the proportion of the labour input in social production was to be reduced through: a decrease in real terms of wages, deregulation, relocation, a diminution in social benefits and the weakening of the unions. On the other hand, there was to be an offensive against the state in its roles of distributor of wealth and social mediator through privatisation, including public services, and the structural adjustment programmes imposed by the International Monetary Fund (IMF) and the World Bank.

The mechanisms for achieving these objectives were characterised by an integration of the production and distribution process, an increasing concentration of multinational corporations and the predominance of finance capital.

The manifold consequences of this process have been devastatingly destructive. First of all, in the economy itself, which should ensure the basis of the material and cultural life of all human beings: never have there been so many

destitute people, or such huge differences between the incomes of people and of nations. Capitalism has thus proved itself to be the most ineffective system that humanity has ever produced. This is one of the first reasons for the revolts and resistance, particularly among the anti-globalisation movements.

Then there is the destruction of natural resources for immediate profits, which is creating ecological disasters and climatic change... and the emergence of movements to defend the environment. In addition there is a twofold destruction of the social tissue, resulting from the extension of the capital/labour relationships into places where there is weak social resistance, as well as the broadening scope of indirect relationships, such as the fixing of the prices of primary resources and agricultural products, the external debt, tax havens, structural adjustment - all of which affect hundreds of millions of people round the world. From these causes spring the women's movements (feminisation of poverty) and the movements of indigenous peoples, poor urban populations, landless peasants, black people, unscheduled castes (dalits).

The cultural destruction is no less striking. There has been a hijacking of educational institutions, mass communications, philosophy and even religion, in order to conform to the values of capitalism and legitimise its objectives. The result has been cultural resistance and liberation theology. Mention should also be made of the political destruction, with democracy being interpreted very restrictively and enormous sums spent on armaments. This has led to people being depoliticised on the one hand, and on the other, to people making new direct claims for change.

It is a mistake to believe that the neo-liberal project has now been abandoned, even if it is losing credibility and weakening itself because of its short-termism. And so it is developing new strategies. In the economic field it is moving from hard-line neo-liberalism towards agreement on a certain amount of regulation by the state. Some ecological measures have been accepted (Kyoto). The war on poverty is on the agenda, with efforts to involve voluntary associations, NGOs and religious groups. Politically, repression increases as resistance grows. Culturally, the opposition's language - ecology, civil society, participatory democracy - is taken over by changing the very meaning of the terms.

Strategies of the struggle against capitalist globalisation

The two main components of a strategy of resistance and struggles underpinning Porto Alegre II should be, first, to delegitimise the capitalist

system, not only by condemning its abuses, but by denouncing its inherent logic. Secondly, converging actions should be built up, with each movement keeping its own particularities but understanding its place in the overall picture. Thirdly, alternatives should be formulated at the three different levels: utopia, mid-term and short-term. Fourthly, formulas need to be found to express these alternatives politically to help bring them about. Finally, it is important not to become marginalised or remain in tolerated positions, and also not to be folklorised by the media (strange cultural expressions or gratuitous violence).

The main criteria for selecting the themes to be treated can be summarised in three broad categories. First, it is necessary to choose those that respond to people's present sensitivities, particularly those of the groups recently affected by the direct or indirect consequences of globalisation. Then, there should be an effort to work parallel with ongoing events, such as the Racism Conference (Durban), Rio + 10, the ratification of the Kyoto Agreement, as well as the launching of policies like "Star Wars" etc. Finally, priority ought to be given to those themes in which some progress has already been made, such as water, Third World debt, GMOs. All this should help us in adopting a pedagogical approach to raising awareness of the global nature of problems and the meaning of the "real capitalism" project.

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Note: the titles of publications below have been translated into English but they are available only in French, except for the one indicated with an asterisk. Alternatives Sud and books available at CETRI (cettri@cettri.be).

- ▼ Social movements in Latin America, Vol I (1994) 4
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- ▼ Social movements and politics
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- ▼ Alternatives to agro-business
- ▼ Setting up a united front between trade-unionists, the unemployed and the marginalized
- ▼ What are social ethics?

The Alternatives series published by L'Harmattan (Paris)

F. Houtart and F. Polet, *The Other Davos*, 1999 *

S. Amin, *The Hegemony of the United States and the fading of the European project*, 2000

A. Alonso, *What transition for Cuba?* 2001

D. Horman, *The Excluding Globalisation*, 2001

*An English version of this book has been published by Zed Books, 2001

THE ISLE OF POLYPHEMUS

By Wole Soyinka

Playwright, essayist and novelist, Wole Soyinka was awarded the Nobel Prize for Literature in 1986 and has been president of the International Parliament of Writers from 1997 to 2001.

It was a startling image, unexpected and unsolicited but, there it was, instantly replete. Incisive, summative, it offered itself as an irresistible metaphor that Monday afternoon, our first full day in Ramallah, at the checkpoint where the road had been cut, and dwellers of, and visitors to, that city were obliged to disembark from their vehicles, cross the checkpoint on foot, and take up a different transportation on the other side of the guttered road. A raucous, potentially explosive junction where traders had set up an instant market, mostly in fruits, snacks and refreshing drinks. A young man in a bizarre colourful outfit, with a makeshift bandolier in which plastic cups were tucked for rapid dispensation of his ware, observed my fascination and offered me a drink. I had not changed any money so I could not even afford one if I wished - as I patiently explained to him. But that did not bother him in the least. He had decided that I should have a drink, and he doled it out, free of charge.

No, that was not the image that summed up the Israeli-Palestinian visit for me; this was the benign face of our experience - an eager, warm and hospitable embrace, a need above all, to connect with outside humanity and be reassured that the world had not forgotten this terrain of deadly attrition. The crucial image offered itself on our way back from Bir Zeit University. Exiting Ramallah, we did what everyone else did - disembark from our buses at the checkpoint - deserted by Israeli soldiers, as it had become a focal point for attacks. We negotiated the concrete blocks, crossed the deep gutter that had been cut across the tarmac and entered taxis organised by our hosts. On return, it was the same routine - taxis from the university campus, cross the check-point with a human motley - workers, students, professors, peasants, doctors, nurses, school pupils etc - walk to the rowdy improvised motor park, there to await the buses that had dropped us off in the first place. And that was when the telling image was vividly enacted.

A truck arrived at the motor park and then, instead of disgorging human beings or goods, out came a flock of dense-fleece sheep, prodded by their keeper. We watched as the shepherd began to herd his flock - no, not along the road but down the stone and scrub valley that sheered off just where the road executed a deep armpit curve. Was this a short cut across to his destination, taking to country

tracks to arrive at another town or village, or did he merely wish to let the sheep graze a little before seeking a new conveyance on the other side? We did not remain long enough to find out. What did happen, however, was that I received an instant flash -Ulysses among the Cyclops, trapped in the cave of the one-eyed Polyphemus.

Let us recall some fabulous details of that adventure tale, several aspects of which began to take on sobering parallels. Ulysses had sought shelter for himself and his men in the cave of that gigantesque host but, having brought them into his home, Polyphemus proceeded to dine serially off his guests, sealing them in with the aid of a huge boulder which all the combined strength of the Ulysses band could not shift. Ulysses took his revenge while Polyphemus was asleep, preparing his bid for freedom by driving a sharpened and heated log into the single eye of their cannibal captor. The only question that remained was - how to escape from the cave.

Now let us recollect also that Ulysses, with his usual cautious guile, had not given his real name to his genial host but had introduced himself as - No-man. When the fiery stake sizzled in the giant's eye in the dead of night and he bellowed out his pain, his fellow Cyclops ran to his aid, demanding who or what had caused his anguish. "No-man is the villain" replied Polyphemus again and again. So, his neighbours were thoroughly disgusted, advised him to seek a cure for his nightmares and retreated to their own caves. If no man is tormenting you, they cursed, why do you disturb our sleep?

Come dawn, Ulysses and his rovers remained sealed within the cave, waiting for Polyphemus to roll aside the rock, which he was obliged to do in order to let his sheep out to graze. But the pain-crazed giant still had enough wit left to open the cave just wide enough for the sheep to exit singly, sweeping any spare space with his vast hands and over each sheep to ensure that no one was riding on its back. Wily Ulysses had of course tied his men under the belly of each animal. Polyphemus caressed his woolly companions, whispered endearments to them, but missed his quarry to the last man. So far, so instructive? Now we come to the even more dangerous part.

Once sea borne, Ulysses could not resist taunting his foe, screaming abuses at the giant. In a fury of the thwarted, Polyphemus flung huge lumps of rock in the direction of that needling voice, setting off a virtual tidal wave that nearly succeeded in swamping his tormentors. Too late. The bird had flown. Ulysses - had he so chosen - could have returned and stung the blinded Polyphemus again and again. And Polyphemus would uproot all the rocks - a prominent feature of Palestinian terrain, dazzling white - and fling them blindly in the direction of his

assailant, miss him completely but provoke one deluge after another that would threaten to inundate the world and drown all its innocent inhabitants.

The facelessness of No-man - so many of them, and of all ages and both sexes - is what enrages the government of Israel, and its current leader, for whom the evocation of the figure of Polyphemus -even physically - could not be more apt. In the process of exacting vengeance on its enemy, it has adopted tactics that will either set off a tidal wave to drown the world or, more aptly, set it on fire. Unable to identify and strike pre-emptively at its elusive enemy, but determined to identify a target, focus the attention of the world on that target, place a name and a face on the invisible body of Satan, Ariel Sharon has chosen to obsess himself with the merely plausible but, in truth, merely convenient and reductionist identity - Yasser Arafat - which is why failure is being dressed up as reason and frustration as factual knowledge. We know who our tormentor is, shouts Sharon, echoed by the government of the United States, and it is none other than Yasser Arafat.

Arafat! Arafat! Arafat! Long before there was the likelihood of my venturing near the cave of Polyphemus, I had found myself shaken to the foundations of reason that anyone with the slightest intelligence, with even a minimal grasp of the psychology of humiliation and desperation, could exhibit such inanity as to imagine that, within the context of the Middle East conflict, any one individual, no matter how highly respected by his followers, how sacrosanct his authority, could control a form of action that stemmed out of both collective and individual desperation and trauma. And of course, Yasser Arafat is simply not in control of the many arms of the Palestinian resistance. Not even the various groups can boast absolute control over individual acts of determination and resourcefulness. Timothy MacVeigh took over 200 souls down in one fell swoop. No one has attempted to heap on the President of the pro-gun lobby the sole responsibility for MacVeigh's homicidal resolve to avenge the victims of Waco.

Nor indeed - and this I had cause to point out on a number of occasions during our visit - nor did anyone hold the Prime Minister of Israel responsible for the action, many years ago, of the military reservist, a medical doctor, who opened fire on a congregation of Moslem worshippers in a mosque, killing a score or more before turning the gun on himself. The irrationalities of the Israeli government and the United States have been mind-boggling - they would be ludicrous if they were not fraught with such predictable tragic consequences. Their insistence for instance, at the early stages of the recent intifada, that the Palestinians observe at least a week of violence-free moratorium before peace talks could begin, was surely apparent to all beings with a claim to reasoning - except those two world leaders - as a demand of unbelievable infantilism, long before Sharon recognised and acknowledged its

futility. What my brief stay among ordinary Palestinians did was simply to compel me to revisit that, and allied policy statements by the Israeli government, promoted with such galling insensitivity by the United States government. If I took anything away from our visit, personally, it was the intensification of my private terror that so much critical interventionism in world affairs actually rests in the hands of such leaders with limitless military power.

No, there was no revelation, not for me. Months ago, in an article in ENCARTA AFRICANA, I used the expression that the Israeli government was tearing out the heart and liver of Arafat and feeding them to his children - and who could fail to predict the consequences of such evisceration! What I obtained last week was a reinforcement of what had been a source of marvel, and it made me truly afraid for the Israeli - that many of those who ever believed that their political leader was treading the right political path had simply never taken the trouble to project their minds into the refugee camps of the Palestinians, into their daily existence, even if they could not visit the physical reality. I experienced at first hand the daily humiliation and the scars of memory that fully spell out the condition of nearly all Palestinians today. We saw the checkpoints through which thousands of Palestinian Arabs pass in order to go to work daily at their sole economic source - Israel. We were trapped within endless motor convoys through which Palestinians pass daily to and from work - that is, twice a day. Those convoys reminded me of my own country, Nigeria, between the first military coup and the Biafran Civil War, and its immediate aftermath. It recalled the faces of despair, resignation, but also the simmering anger of a populace that faced daily humiliation at the hands of an arrogant military. This sense of humiliation in Palestine was just as palpable - you could touch it, measure it and weigh it. It found expression in numerous ways - from the ordinary people in the streets, men, women and children, to university lecturers and students, NGOs, writers and civil leaders. It was affirmed by foreigners who were compelled to share the lives of the Palestinians, including the staff of the United Nations refugee organisation, UNRWA. Numerous were the accounts of women who gave birth at checkpoints because of the inflexible control that was exercised over the movements of ordinary people, of deaths that occurred right within ambulances that were trapped in convoys or at checkpoints. And of course we crunched mortar beneath our feet, picked our way through the rubble of demolished houses and saw, without any varnishing, the active policy of land encroachment by settlers - demolish, create a no-man's land, then move into the vacated space when the Palestinian occupants had been harassed beyond the range of guns. These instances of dispossession, and their chilling methodology, have been meticulously recorded by UN agencies, foreign embassies and external visitors. The evidence itself was overwhelming, indisputable.

Was I sufficiently detached during this visit? Of course. And then again, of course not. It is not possible to take only a clinical, objective view of the situation in Palestine. When human beings are being blown up in restaurants, in hotels, and especially with a singularly grotesque sense of timing - while sitting down to a holy feast, such as the Passover - one experiences both rage and horror at the perpetrators. Martyrdom is an abuse of the word when allied to the murder of innocents. If there are no innocents in any struggle, then let us give up the cause of humanity. My skin crawls whenever I hear the expression "martyrdom" used as an equivalent of murder by suicide, and especially mass murder. And on the other side of terror, the state variety, to listen to a family give a graphic account of tanks crashing through their walls at night, bringing down mortar on sleeping members of the household, crushing innocents in their sleep, it is equally impossible to remain viscerally disengaged or fail to be morally assaulted. These had been homes to these innocents for generations. Now they are being turned breeding grounds for a new species of the biped - the dehumanised. The devastating shock waves continue. The horrors that have become daily diet for both contestants in this ominous conflict were brought home to me even more drastically only two days ago - Easter Sunday - from the comparative safety of California where I read about the latest outrage in Tel-Aviv. The name of the street rang a bell. The explosion appears to have taken place in a cafe on the same street that Russell Banks (president of the IPW) and I had gone for an "espresso fix" while waiting to meet Shimon Peres, having driven directly from Gaza very early on Wednesday morning for that appointment. It could have been that very cafe - I am still to find out. In the meantime, however, the sharp, yet wistful features of the friendly young girl who served the coffee had leapt instantly to my retina, an image that remains stubbornly superimposed on it. Has she become yet another statistic of the purblind peevishness of Polyphemus?

BOOKS

THE INVISIBLE NORDIC HAND ON THE SHIELD OF THE NATION?

Reviewed by Haroub Othman, University Of Dar Es Salaam

Tor Sellström: *Sweden and National Liberation in Southern Africa. Vol.1: Formation of a Popular Opinion 1950-1970.* Nordiska Afrikainstitutet, Uppsala, 1999, 541 pp.

Tor Sellström: *Sweden and National Liberation in Southern Africa. Vol. II: Solidarity and Assistance 1970-1994.* Nordiska Afrikainstitutet, Uppsala, 2002, 912 pp.

Tor Sellström (ed): *Liberation in Southern Africa: Regional and Swedish Voices.* Nordiska Afrikainstitutet, Uppsala, 1999, pp.365.

As a political activist I can understand the meaning of solidarity and why people are moved to support in action the struggles of other peoples. Did we not see in our own lifetime the international brigades fighting in support of the Spanish people against the Franco dictatorship? Did we not see Americans preferring to go into exile rather than being enlisted to go and fight in Vietnam? Would we be talking today of the existence of the People's Democratic Republic of Korea had it not been for the two million Chinese volunteers that went to defend it? Then there are the Cubans, whose great sacrifices in the Cuito Carnavale changed the face of war in Angola and forced the apartheid regime in South Africa to grant independence to Namibia. All that is understandable and those acts of solidarity are explainable.

But what about the Swedish and Nordic solidarity with the peoples of Southern Africa? How can that be explained? Neither Sweden nor any of the other Nordic countries border any country of Southern Africa in the way that China borders Korea. Nor is there an ethnic group in the Nordic region that originally came from Southern Africa in the manner of the Afro-Cubans in Cuba who originated from Africa. This is not to say that the Chinese solidarity with the North Koreans was motivated by geographical proximity or that the solidarity of the Cubans towards the Angolans was inspired by ethnicity. Not at all! There were much higher ideals.

But still, the Nordic support for the Southern African liberation struggles was thought to be intriguing. People started to look for motives. Were the Angolans and Mozambicans not fighting against Portugal, a member of NATO, of which Denmark and Norway are member-states? Was Sweden not a member of the European Free Trade Area (EFTA), with which Portugal was also associated? Was the white regime in South Africa not fighting against communism, which all the Nordic countries hated

and detested? Sweden has not seen war for over a century and a half now, and was able to remain "neutral" in both the first and second world wars: where was its "neutrality" when it came to the liberation wars in Southern Africa? How come that in all the Nordic countries one found a non-partisan policy towards Southern Africa? Was the support given without questions asked? In a review of Pierre Schori's book "The Impossible Neutrality", quoted in Sellström's volume one, William Minter states that *"in the 1980s, the international right wing was fond of labeling SWAPO and ANC as 'Soviet backed'. In empirical terms, the alternate, but less dramatic, labels 'Swedish-backed' or 'Nordic backed' would have been equally or even more accurate, especially in the non-military aspects of international support"*. These were some of the questions and issues that people raised, and they did task the minds of many researchers.

Tor Sellström addresses himself to these and many other questions. In a three-volume work covering a total of 1818 pages, Sellström informs us in detail how Swedish (and Nordic) policy towards Southern Africa evolved. It is true that Sweden and Finland had several missionaries in this region long before the massacre at Sharpville or the founding of FRELIMO, but it was not these missionaries that were instrumental in the formulation of that policy. A constellation of various forces gave birth to that policy, but particularly the students and other youth. As the late ANC President, Oliver Tambo, was to remark:

"There has [...] emerged a natural system of relations between Southern Africa and Sweden, from people to people. It is a system of international relations which is not based on the policies of any party that might be in power in Sweden at any particular time, but on the fundamental reality that the peoples of our region and those of Palme's land of birth share a common outlook and impulse, which dictates that they should all strive for the same objectives".

The author informs us that the aim of the study is primarily to address the general reader interested in Swedish policies towards Southern Africa. It makes no claim to be breaking new academic ground. What it has done, and very successfully, is to record the events that happened, the statements that were made and the actions that were taken through the last half century. Of course a study like this *"always [carries] the fingerprints of [the] interpreter"*, but still Sellström tries to be very objective.

The countries of Southern Africa are relatively new entrants in the community of independent states. The first one, Tanganyika (and now Tanzania Mainland) emerged into statehood in 1961, and the last one, South Africa, obtained its freedom in 1994. But within that span of thirty-three years, the region witnessed the worst consequences of the bipolar rivalry of the world, the devastation caused by apartheid, the crimes of white supremacy in the then Southern Rhodesia, and the killings by UNITA and RENAMO.

With the Portuguese adamantly refusing to grant independence to Angola and Mozambique, the white regime in Southern Rhodesia declaring UDI, and the apartheid regime in South Africa spurning democratisation, the peoples of those countries had no other option but to resort to armed struggle. It was not that they wanted to take up arms or that they were bloodthirsty. The regimes in power presented the demands for freedom and independence as a "communist onslaught". The intensity of cold war politics in the region heightened with the collapse of Portuguese colonialism and the aggressiveness of the South African white regime to fill in the vacuum. Only Cuito Carnavale brought the realisation to the South African regime that the "Total Strategy" had collapsed.

Sweden and other Nordic countries concentrated their aid to the national liberation movements in the educational, financial, medical and other humanitarian areas only. They were very strict that their aid should not be used for military purposes. This distinction was both interesting and important. In these days of sanctions against Iraq and Cuba, when everything from baby food to water pipes are considered of military value, the distinction made by Sweden and others was of great significance. The national liberation movements themselves did not abuse this distinction by diverting humanitarian aid to military use. Although FRELIMO had already embarked on the armed struggle, yet it received Swedish financial support starting from 1965 to run the Mozambique Institute based in Dar es Salaam, at the same time as USAID withdrew its support because of FRELIMO's involvement in the armed struggle. To illustrate the nervousness existing at the time on this distinction, Sellström provides a quotation from Stig Lovgren during the discussions between SIDA and Dr Amilcar Cabral, the leader of PAIGC:

"[The issue of military and non-military supplies] was very much discussed during the early years. Curt Strom, especially, was always very nervous that we might send things that could be used for military purposes. I remember very well one meeting with Amilcar Cabral at SIDA. We were discussing the lists that we had prepared earlier and which Strom should approve. When we came to machetes, he was very concerned and said they could be used to kill people. Amilcar Cabral then took up a pen and said: 'This is a weapon too ...'."

It must be said, though, that not all the leaders of the liberation movements were happy with this distinction. In meetings with Swedish officials, Eduardo Mondlane is said to have regularly and forcefully raised this issue, and after his death, the same stance was taken by Marcelino dos Santos, Joaquim Chissano and other Mozambican leaders. In an interview with Tor Sellström, Marcelino dos Santos, who after independence was to become Vice-President of Mozambique, stated:

"We always said that we did not agree with the Swedish position of being in support of peace, and therefore not being able to help us to wage war. We said:

"The war which we are waging, is it not for peace?" ... [However,] [we] never questioned Sweden's right to state that 'since we are in favor of peace, we cannot give you arms'."

While volume one discusses the formation of public opinion in support of the liberation movements, the second volume concentrates on the types of solidarity and actions that were taken towards each movement. Sweden, like many countries, supported the liberation movements recognised by the OAU and the United Nations. When movements such as FRELIMO started to acquire liberated areas, support had to move to a higher plane, that is, the economic sustenance of those areas. The type of support invariably had to change from the provision of canned tuna fish and medicines, to supporting of agricultural production and construction of health care facilities.

The chronological overview of 1950-1994 that Tor Sellström provides in the second volume indicates the various activities that took place during the time: it mentions the visits of the leaders of the liberation movements to Sweden and the establishment by these movements of offices in Stockholm. Swedish support to these movements included the running of these offices.

The first and second volumes are the result of very serious research, and a lot of work and effort have gone into them. I can imagine the hours, days and months spent in the archives, and the sleepless nights spent delving into the materials, sifting through them and analysing them. The third volume gives us a different perspective. Here it is not Tor Sellström sifting through and analysing the archival materials, but presenting to us the voices from Southern Africa and Sweden. These are the interviews of people from Angola, Mozambique, Namibia, South Africa, Zimbabwe, Zambia, the OAU, the Soviet Union and Sweden that were either directly involved with the struggle or in its promotion. Reading through the interviews, one understands not only the role and the commitment of each individual, but the different phases each movement has gone through.

Earlier I raised the question as to why Sweden and the other Nordic countries supported the liberation movements in Southern Africa at a time when their partners in NATO, EFTA, the Socialist International, etc., were not doing so; in fact the latter were very hostile to the liberation struggles. When Tor Sellström put this question to Jorge Rebelo, former FRELIMO Secretary of Information, and later on Mozambican Minister of Information, his answer revealed that even leaders of liberation movements were asking themselves the same question but had no answer. Rebelo stated:

"It is a question which we at that time - and even now - put to ourselves: Why did the Nordic countries, which were so far away and had a culture

completely different from ours, become interested in Africa? What was the reason? I must confess that I do not have an answer. Some people said that it was because they did not have colonies, therefore being more sensitive. It is not an explanation which is satisfactory to me, because there are many countries in the world which did not have colonies. Others said that it was because the Nordic countries appreciated freedom and justice. That is why they were against oppression and exploitation. Still others said they were white and cold and therefore liked countries that are hot and people who are black."

I think one of the factors that brought about such a non-partisan coherent policy not only towards the Southern African liberation movements but also towards PAIGC, Cuba, Vietnam, Palestine, etc., was the visionary leaders that the Nordic region, especially Sweden, had. These visionary leaders were able to educate and mobilise public opinion that humanity was one and freedom was indivisible. Prime Ministers Tage Erlander and Olof Palme were very instrumental in guiding Swedish policy, and influencing Nordic policy, in this regard. Olof Palme was a product of student, youth and socialist movements. His travels abroad broadened his mind and exposed him to the vagaries of colonialism. In an interview with a French journalist in 1976, he explained that:

"It was in Asia that I concretely experienced what colonialism was. [...] In Singapore, I spent ten days in a university compound where Chinese, Malays and Indians lived. The silent contempt they all displayed for [...] "white supremacy" made a strong impression. Self-confident [and] convinced that victory sooner or later was theirs, they patiently waited for racism to disappear [and] the oppressors to leave. They even showed a certain indulgence towards the excesses of the colonial class. This was at the time when the French were fighting their last battles in Vietnam and John Foster Dulles, the American Foreign Minister, threatened Vietnam with massive retaliation, at the same time as he presented himself as a defender of democracy and morals. I discussed all this with my friends from Singapore. [...] It was easy to discuss [with them]. We did not only have the same value opinions, but we also shared the will to take practical steps. We wanted to reform the world. [...] Basically, all the discussions ended with the same idea: The folly of imperialism must be defeated and the poor peoples must themselves be allowed to form their destiny."

Coming from that background and with those convictions, it was natural therefore to support the liberation struggles not only in Southern Africa but in Algeria and other places. As Algerians are marking the 40th anniversary of their independence, it is worth mentioning here that in 1959 Sweden was the first Western country to vote in the UN General Assembly in support of Algeria's right to self-determination.

Again in the same interview Olof Palme summarised his views:

"The only way to really assist the Third World is to act as an ally of the nationalist movements. [...] Nationalism is above all a return to dignity. [...] The nationalist struggle for independence is inextricably linked to social and economic liberation. The dream of a decent existence is behind all revolutionary movements. We must not only learn to live with this desire of independence, but also for it. [...] This is where socialism comes in: It binds us to make common cause with the oppressed and to fight on their side against the forces that exploit them. [...] I do not want to advocate armed struggle, which we by all means try to avoid, but I do understand it. When peoples who aspire to peace and progress only are met by brutal oppression and cynical exploitation, they quite naturally resort to violence, if only to defend themselves."

The 1970's saw the independence of Mozambique and Angola, which was followed in 1980 with the independence of Zimbabwe and then that of Namibia in 1990. South Africa, whose independence movement started in 1912, was the last in this region to gain its freedom in 1994. Swedish and Nordic support to the region continued in the post-colonial period. Education, physical infrastructure, hydroelectric power, agriculture, water schemes and many others benefited from Nordic support. In fact, for all these countries, Swedish support in particular, and Nordic support in general, have been very decisive in their economic development.

But things changed in the 1980's with the entry into the international scene of Thatcherite economic policies and Reaganite brinkmanship. The vision that Olof Palme had as an internationalist was replaced with the advice from our friends to follow the dictates of the IMF and the World Bank. With the Nordic countries, with the exception of Norway, now being members of the European Union, we hear of a common foreign policy. With the right-wing wave we see engulfing Europe at present, we ask ourselves: what is the future? Still we are not discouraged. The protests and demonstrations in Europe and North America against globalisation, third world debt, the World Bank, the IMF, environmental degradation, etc., are clear signs that all is not lost.

Tor Sellström presents a challenge to all of us. He has recorded in great detail what his people have contributed towards the independence of our region. We need also to put on record what our people have contributed in the liberation of mankind. We need the assistance of those who were at the forefront of our liberation struggles. Let me call on people like Dr Salim Ahmed Salim who for many years was the chairman of the UN Decolonisation Committee and then Secretary-General of the OAU, and Brigadier-General Hashim Mbita, who was the longest serving Executive Secretary of the OAU Liberation Committee, to write their reflections of what took place.

There is a missing link in Tor Sellström's work. Tanzania and its late President, Mwalimu Julius Nyerere, played a significant role in the liberation struggles of this continent, but particularly in this region. In fact, Sellström mentions that it was the co-operation established between TANU Youth League and Swedish youth, the first visit of Mwalimu Nyerere to Sweden just before independence, and the friendship that existed between Mwalimu Nyerere and Olof Palme, which paved the way for Swedish involvement in the liberation movements. But that story needs to be fully told. This might not be the responsibility of Tor Sellström. But it is definitely the responsibility of Tanzanians.

All the three volumes are easily readable, written in a very good style. Since they have no price tags, I do not know whether they are affordable for Tanzanians. But I do in all good faith recommend them strongly to everybody.

BRIEFINGS

COALITION ENDORSES REVOLUTIONARY REPORT'S BIG ANTI-POVERTY PLAN

COSATU

The Basic Income Grant (BIG) Coalition welcomes the Consolidated Report of the Committee of Inquiry into a Comprehensive Social Security System for South Africa (also known as the Taylor Committee), which was released by the Minister of Social Development on 2 May 2002 [see also New Agenda number 5]. We commend the Taylor Committee for its diligence in compiling a concise, wide-ranging and well-researched report. We appreciate especially the range of expertise on which the Committee drew, its openness to input from civil society, and the collegial manner in which Committee members approached their task. We also applaud the government for publishing this document and for inviting public comment on it.

The success of South Africa's transition to democracy and the dismantling of apartheid will ultimately be judged by our capacity to address apartheid's legacies of poverty, inequality and underdevelopment. As the Reconstruction and Development Programme observed: "No political democracy can survive and flourish if the mass of our people remains in poverty, without land, without tangible prospects for a better life. Attacking poverty and deprivation must therefore be the first priority of our democratic Government."

For this reason, the publication of the Taylor Committee report represents one of the most revolutionary events in the life of our nation since the first democratic elections in 1994. It marks a critical moment in the humanisation of South African society. Having completed much of the legislative reform necessary to ensure that all South Africans have the right to be free, we must now make certain that everyone has the means to be free. The appointment of the Taylor Committee demonstrated the government's commitment to satisfying everyone's constitutional right to social security, including appropriate social assistance. Now we must ensure that the recommendations of this expert panel are debated, refined and implemented.

We therefore call on all stakeholders to recognise the importance of this document, to review it carefully, to interrogate its recommendations thoroughly and to ensure that it becomes the catalyst to the formulation of a national social protection policy that will ultimately enable the government to effectively meet its constitutional obligations to provide social security to all our people. We hope that, in

addition to the comment period announced by the Minister, legislative committees at the national and provincial levels will also encourage popular debate on social protection by holding public hearings on the report's recommendation.

Given the complexity of the topic and the number of issues raised in the report, our comments today constitute a very preliminary response to the document. The members of the campaign are committed to discussing the recommendations in greater detail in their respective constituencies and reserve the right to present more nuanced positions at a later date. However, we believe that there are a number of clear messages that emerge strongly from the report, many of which support what the coalition has been saying for the past year. We want to take this opportunity to highlight these points.

First: We endorse the committee's call for the creation of a comprehensive social protection package that addresses not only income poverty, but also capabilities poverty, asset poverty and special needs. Although South Africa, as a nation, is comparatively affluent, apartheid created enormous disparities in wealth and income, leaving the vast majority of the population profoundly impoverished. We are therefore in the unique situation of having both an acute need for a comprehensive social protection package and sufficient resources to finance it. Given the platform of the BIG Coalition, our comments will focus primarily on the committee's finding and recommendations with respect to income poverty. However, we agree with the Committee that income transfers alone are not a panacea for poverty. They must instead be embedded in a wider system of social protection.

Second: The report concludes that income transfers are the best starting point for rooting out poverty. The committee expressed the view "that one of the most effective means of reducing destitution and poverty is to provide some minimum support in the form of a Social Assistance Grant." (p. 60) While it noted that government programmes to enhance access to land, health care, education, housing, etc. were "well conceived and potentially well targeted," poor households continued to find it difficult to take advantage of these initiatives "because they do not even have the most basic income for transport, food and basic clothing." (p. 55 - 56) Providing a minimal level of income support can enhance the impact of other anti-poverty programmes by increasing the rate of take-up. Furthermore, measures to address income poverty are "easier to rollout in the short term" and could allow "the state to buy time for progressive realisation of its other socio-economic" obligations. (p. 43)

Third: The committee found that the patchwork of social grants inherited from the apartheid era is inadequate to meet the challenge of stamping out extreme

poverty. There are enormous gaps in the system. Even in a system designed primarily to protect children and pensioners, 75 percent of poor children under the age of 7 (and all older children) do not receive the child support grant. Meanwhile, 60 percent of the poor - 11 million people, including the working poor - receive no transfers at all. (p. 31) Furthermore, research done for the Committee found that, even with full take-up of all social security programmes currently on offer, roughly 22 million people would still fall below the poverty line. (p. 59)

Fourth: The Committee determined that means testing is an ineffective way of targeting social grants. Currently, the poorest 10 percent of households receive the smallest share of income transfers in spite of means testing. (p. 25) Means tests decrease the accessibility of social grants for the very poor, who often lack awareness of the availability of such schemes or the resources to negotiate a complicated application process. In addition, means tested grants typically create "welfare traps" by penalising efforts to find employment.

Fifth: The report acknowledges that the South African economy is unlikely to be able to offer jobs (whether formal or informal) for all in the foreseeable future. South Africa faces a labour surplus coupled with a high skills deficit resulting in long-term structural unemployment. In this situation, a welfare system premised on the notion of "tiding people over" until they find employment is inappropriate and poorly suited to reducing poverty.

In light of these findings, the committee lends support to the introduction of a universal Basic Income Grant of R100 per person per month. "Analysis indicates that the Basic Income Grant has the potential, more than any other possible social protection intervention, to reduce poverty and promote human development and sustainable livelihoods." (p. 62) It is also the best option for children because it diminishes the pressure to stretch child support grants to meet the needs of an entire family. Research has shown that increased household income is strongly correlated with improvements in children's well being.

A universal grant would better target the poor, assuming the grant is recovered from more affluent people through taxation. It would also be cheaper and simpler to administer than a means tested grant, with less risk of the corruption or mismanagement that has often beset discretionary grants.

It would make an important contribution to the fight against HIV/AIDS by enabling people living with HIV to maintain better levels of nutrition and health. Unlike a "dole" system that discourages people from developing other sources of income, the grant would combat the dependency of poverty, giving everyone a small amount of money

on a regular basis to enable planning, risk taking and self-reliance.

The committee argued strongly that South Africa can afford a BIG. Reviewing the financial implications of the comprehensive social protection package it outlines, the committee concludes: "The reform path assessed is affordable when seen from a long term perspective, as all improvements in the social security system occur broadly within current macro-economic constraints. No significant changes in the proportion of GDP allocated to social security are required if these scenarios are to be implemented. In particular, the implementation of a universal system of social assistance grants in key areas becomes both feasible and affordable. Importantly, the restructured Social Security System removes gaps in coverage that exist in the present without changing the overall proportion of GDP used." (p. 149)

Current estimates indicate that the net cost to the government of a BIG would be something in the vicinity of R20-24 billion per year, before implementation of a solidarity tax. Over the last five years, the government has approved tax cuts resulting in the loss to the fiscus of close to R50 billion per year. It is time to stop making big gifts to the rich and to start making BIG grants to the poor.

While the resources for a BIG are available now, the delivery infrastructure would still need to be identified and put into place. Consequently, the Taylor Committee proposes a phased approach to the establishment of a comprehensive social protection system. This would involve in the first phase the extension of the child support grant to all children (i.e., to the age of 18) and would require the elimination of the means test. The coalition acknowledges the practicality of a phased approach, provided it is based on the principle of universality and abolition of the means test; members must still discuss the details of the committee phasing proposals within their constituencies.

The litmus test of any society is the manner in which it cares for its most vulnerable members. The Taylor Committee has articulated an attainable vision of a comprehensive social protection package that can weave a tighter and stronger social safety net for all South Africans. The BIG is a central pillar of this package. The national debate on social security should no longer be focused on whether we implement a BIG, but rather on how we do so.

WORLD FORUM FOR ALTERNATIVES (WFA)

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The trend is very clear: everywhere round the world, social movements struggling against the expansion of the dominant economic system are working together, across national borders, to construct alternatives. The organisation of the first World Social Forum at Porto Alegre in January 2001 and of the second one, in January 2002, bear witness to the fact that we are moving from the first phase of denouncing the failures of the neo-liberal development model to a new phase of proposing, elaborating and experimenting with new ideas.

The role of the World Forum for Alternatives

The activities of the World Forum for Alternatives (WFA) are taking place within this positive context. Composed of research centres and NGOs in Africa, the Americas, Asia and Europe, the World Forum for Alternatives is currently working on two main projects. One of these is the constitution of a permanent inventory (accessible on the Web) of social movements and their networks. The other is the preparation of an annual edition of a volume that will be entitled "The World as seen by its Peoples". The purpose of these two projects, like all the WFA initiatives, is to provide logistical, operational and analytical support to all those engaged in resistance activities, helping them to come together, to work out alternatives and to disseminate them.

The permanent inventory of social movements

Even though it is already partly accessible on the Web (www.forum-alternatives.net), the permanent inventory of social movements and their networks is still in its initial phase, because its creation is involving a considerable amount of work. For, while certain social movements that are internationally recognised have already been well established for several years, most of the social movements are usually known only in their own countries, particularly in Africa and Asia. The twofold objective of the WFA's internet site will be to promote a greater mutual understanding between the social movements who are resisting capitalism as well as an analysis of the proposals for alternatives.

The fact that information is not a priority for social movements, who are often very bound up in their immediate objectives and are also hard up, makes the task of

collecting data very difficult. This first stage of our work has however helped us to prepare a new methodology for the second stage, the outlines of which will be communicated in upcoming bulletins.

The World as seen by its Peoples

The World Forum for Alternatives is also preparing an annual volume of political, economic and cultural analysis of the world system and of reflections about existing alternatives and the first edition of "The World as seen by its Peoples" came out at the beginning of 2002 (in English, French and Spanish). It featured the situation in the main regions of the world, as well as that of the social movements, based on the information and analysis that are being produced by an international network of some 80 researchers and partners. The book introduced certain strategic crosscutting themes (natural resources, security, etc.), as well as the visions of those dominating these sectors. It concluded with an in-depth reflection on the political, economic, social and cultural challenges posed by the globalisation of capital and the search after alternatives.

The work will be completed by five other volumes containing part of all the syntheses that have been made, in addition to the work of reflection that has been carried out in the various continents. Provisional titles are as follows:

- ▼ Africa, the victim of globalisation (to be published by *Alternatives Bud.* 2001/3)
- ▼ Africa, as seen by its Peoples (L'Harmattan, Paris)
- ▼ The Arab World, as seen by its Peoples (L'Harmattan, Paris)
- ▼ Latin America, as seen by its Peoples (Editorial Popular, Madrid)
- ▼ Asia, as seen by its Peoples (publisher being negotiated).

Through these two parallel projects and other initiatives that are under way or forthcoming, the World Forum for Alternatives intends to play its part in globalising resistance and struggles. We see its work as a service that helps the social movements to converge for their mutual benefit.

The WFA internet site

The WFA site is gradually being built up by the association Alternatives in Montreal, but it is still at an experimental stage. It consists of: general information on the World Forum for Alternatives, particularly on its main partners; the inventory of social movements (see above); the original material from "The World as seen by its Peoples"; and an impressive number of texts about resistance and social struggle. The latter is being organized thanks to the collaboration of Wim Dierckxsens of the DEI (Ecumenical Research Department) in Costa Rica. The site also includes a section on the Third World Forum, its publications and activities.

NEPAD AND CIVIL SOCIETY

By Professor Yashpal Tandon
The Herald (Harare), April 11, 2002

The African civil society is gradually waking up to the New Partnership for Africa's Development (Nepad). The reaction so far, from the more radical section of it, has not been very positive. One of these is the Bamako Declaration passed by participants from some 200 social movements, organisations and institutions from 45 African countries which met in Bamako, Mali, from January 5 to 9 2001 in an African Social Forum.

The relevant paragraph reads as follows: "The Forum rejected neo-liberal globalisation and further integration of Africa into an unjust system as a basis for its growth and development. In this context, there was a strong consensus against initiatives such as Nepad that are inspired by the IMF-WB strategies of Structural Adjustment Programmes, trade liberalisation that continues to subject Africa to an unequal exchange between its exports and its imports, and strictures on governance borrowed from the practices of Western countries and not rooted in the culture and history of the peoples of Africa."

By contrast, international organisations such as the World Bank and the IMF as well as representatives of global capital appear to see in Nepad a possible way out of Africa's stubborn poverty and underdevelopment. (See Mills, J. and J. Oppenheimer, "Partnerships only way to break cycle of poverty," Financial Times, October 1 2001; Gondwe, G. and C. Madavo, "New swipe at fighting poverty," Financial Times, October 7 2001).

Also, Nepad has been welcomed by the G7/8 countries at their meeting in Genoa in July 2001, and by the Davos Conference in New York in January 2002, as well as by the African Union at its Lusaka meeting in October 2001.

From civil society, as stated earlier, it is still an early reaction. One of their gripes is that, although Nepad talks about "ownership" of the process by the African people, and indeed exhorts the people to mobilise themselves behind Nepad, they have not been consulted in the process.

After the leading African heads of government (those of South Africa, Nigeria, Senegal and Algeria) had discussed Nepad among themselves, they appear to have gone first to the Western capitals and the representatives of international private capital before consulting with their own people. Presumably, the people will follow.

But the mood in Africa is changing; and putting the representatives of the donor countries and international private capital ahead of the people of Africa in the consultation process was not, to say the least, a very wise strategy. It begs the famous question that Rene Dumont had raised in the 1960s about Africa's development: is this yet another "false start"? We hope not.

There are aspects of Nepad that must be welcomed by African civil society, even if they have not been consulted. Maturity demands patience and wisdom, even if the leaders often make mistakes, for otherwise Africa would rise perpetually dividing itself.

Therefore, let us first count the positive aspects of Nepad. Some of positive features of Nepad are:

- ▼ the need to negotiate a new relationship with their development partners, which is the central idea behind Nepad
- ▼ also central to the spirit of Nepad is the idea that through the "African Renaissance" project, the African continent that has been "plundered for centuries" will "take its rightful place in the world".
- ▼ focus on "African ownership and management."
- ▼ the notion of "self-reliance" - The importance of national and regional priorities in the formulation of development plans
- ▼ the notion that these plans must be prepared through participatory processes involving the people
- ▼ some of the goals are the same as those set by the United Nations in several of its global conferences, such as reducing extreme poverty by half by 2015; a sustained average gross domestic product (GDP) growth rate of above 7 percent per annum for the next 15 years, etc.

The above principles and objectives are noble, and must be endorsed by all the people of Africa. Even if the people are not consulted in the process of formulating the above, one cannot deny that the above do summarise at least some of their most important aspirations. Aspirations, as always, however worthy, often get confounded when it comes to the details. Exactly how are these aspirations going to be realised? There can be no doubt that the path that Nepad offers is the neo-liberal path that is espoused by the IMF, the World Bank and the WTO. Neo-liberalism has become a code word for the contemporary development theory. This theory puts "integration" into the globalised economy on the basis of the liberalisation of markets and the free movement of capital at the centre of the development paradigm.

Thus, Nepad's key strategy is encapsulated by the sentence: "The African Renaissance project, which should allow our continent, plundered for centuries to take its rightful place in the world, depends on the building of a strong and competitive economy as the world moves towards greater liberalisation and competition."

Some might see in this an ironical conjugation between "African renaissance" and "the building of a strong and competitive economy as the world moves towards greater liberalisation and competition." Can this "renaissance" really take place in further integration of Africa into an asymmetric globalised system that is dominated by a few countries? Nepad seems to think it can and should.

The leaders of Africa do not see any other alternative to integrating into the neo-liberal globalised model of development. Nepad appears to lean towards the creation of the "right" kind of conditions within Africa - good governance as understood by the Northern partners, open economy, and partial measures on debt relief, increase aid from the North, and greater access to their markets.

At one point, Nepad does recognise that globalisation "has increased the ability of the strong to advance their interests to the detriment of the weak," but this brilliant and incisive observation on the current asymmetrical power relationship is quickly forgotten.

Nepad has no strategic or tactical significance. Nowhere, for example, does Nepad recognise that "liberalisation" and the "open economy" are practically forced on Africa, of which the fourth WTO Ministerial Conference at Doha was a living testimony. Nepad also admits, indirectly, that the Structural Adjustment Programmes (SAPs) have failed, in that they paid "inadequate attention to the provision of social services," but it fails to recognise the claims of African people that SAPs have not just failed to pay attention to social services, they have been at the very root of Africa's economic and social crises. While civil society endorses Nepad's noble aims, it cannot endorse its chosen strategy.

What, then, is the offered alternative? The following are some of the elements of an alternative strategy to achieve the same noble goals of "self-reliance" and "ownership" of the process of development that Nepad aspires. The point to start with is not further integration of Africa's economy into the process of globalisation that Nepad suggests. The point to begin is with human needs. This is not a pedantic, but a profoundly strategic difference.

For example, the people of Soweto in South Africa need, among other things, access to drinkable water. There are two ways of going about it - the Nepad way, and the peoples' way. You open this essential service of water provision to international competition; whoever is able to bring capital from outside can have control over the distribution of water, and must be able to charge "cost recovery" price to the water users. If people cannot pay, then their water pipes must be closed until they are able to pay. In the process, the government of South Africa

must create a climate of confidence (above all, the ability of the investor to externalise his profits and eventually the capital value of his assets) so that an investor is induced to come to South Africa rather than to, say, Vietnam or Chile or Romania (because capital is global, and must be induced with attractive terms to come to Africa, so say our leaders). This is the Nepad way.

The people's way starts with the recognition that whether or not foreign capital comes to South Africa to provide water to the people, water is a basic human right. Its provision to all households in Soweto (our example in this case) is government's responsibility that cannot be turned on or off on the basis of the peoples' ability to pay for the water. Access to water is a human right, not a privilege. And the same is true of food, adequate housing, electricity, basic education and essential transport. Subject these to the whims of profit, and you have subverted the human rights of the people.

Nepad admits that the Structural Adjustment Programme (SAP) had paid "inadequate attention to the provision of social services." African governments knew, in advance, that SAPs would lead to the diminishing of social services to the people. The IMF was stringent in its demand that in return for accepting its money, it expected governments to cut down on budget deficits, which meant, in practical terms, expenses for things like health and education. In recognition of this, governments were then advised to set aside a "social fund" to cushion the effects of SAPs. In none of the countries in Africa that accepted SAP did the social fund prove adequate to fill the social gap that SAP created. This is what Nepad is saying.

So, what is its solution? Nepad's solution is to place these services in the globalisation basket, and let private capital (foreign, as it would mostly turn out) to finance the provision of these services. African countries must attract foreign direct investments (FDIs) to finance the provision of these services. Thus, from a peripheral matter (as under SAPs), services now occupy a central place for investments on a competitive bid. African states must now fight amongst themselves to attract FDIs so that these can be employed to provide water, electricity and other services, to the population of Africa. This is not only a pipe dream (such investments are not likely to materialise), but also a dangerous one.

Why? Because in trying to attract foreign capital for essential services, African governments are going to be dragged into a downward spiral of offering to the owners of capital competitive terms, including tax incentives or tax holidays, free land, borrowing in local currency, and so on. Indeed, such competition may take place not only between states but also between provinces within the same state.

Thus, in South Africa, Gauteng may compete with Cape Town and with other provinces. Furthermore, services are one of the mandated issues for negotiations under the General Agreement on Trade in Services (GATS) provision of the WTO. Countries are expected to make offers on the kinds of services they would want to put up front for negotiations under the WTO. In bringing services into the centre of its "vision" for the future of Africa, what NEPAD does is to risk the lives of African people, their access to basic essentials of life, into a volatile and fluid global investment situation.

Does this sound too alarmist? No, it is not being alarmist, for this is the precise logic of Nepad. SAPs were "inadequate", says Nepad, because they neglected social services, so let us put the services, too, into the investment basket. Nepad thus is Structural Adjustment Programme + General Agreement on Trade in Services. But it is more than that. Once a matter is brought under the purview of the WTO, it is subject to the provisions of the Disputes Settlement Body, with all its attendant legalism, appeal panels and sanction. The DSB, as it is widely known, is an asymmetrical system, where the rich countries can both afford the legal costs and impose sanctions, but the poor can afford neither. It is possible that the authors of Nepad did not have the time or the necessary advice from those who should have known better that the route they have chosen to bring the "renaissance" of Africa could well be Africa's final and utter submission to the rule of the IMF plus the WTO. In effect, Nepad is the sum of SAP, plus GATS, plus DSB.

The sentiment behind Nepad is noble. It is to put Africa on a "self-reliant" path to development where Africans themselves own the processes. But, as they say, the road to hell is often paved with good intentions. The intentions notwithstanding, the practical effect of Nepad would be to surrender the human rights of the people of Africa (their rights to food, water, energy, etc) to the whims of a volatile and untrustworthy global capital. If the experience of Argentina does not give wisdom, then Africa sadly will learn, bitterly, from its own experiences.

It is, however, not necessary to go the Nepad way in terms of strategy. There are alternatives. Nepad's noble intentions may be embraced, yes, but the strategy for self-reliance is self-reliance. African governments must pledge to provide the basic services to the people - drinking water, basic food, essential housing and transport, and access to energy - as necessary elements of their basic human rights. They must then work upwards from there and see how the production and distribution (including savings and investments) are organised in order to meet these basic needs.

Leave these matters to the whim of international capital, and Africa would find itself in a worse mess than it is in now.

Sir Francis Drake's Prayer

Disturb us, Lord, when
We are too well pleased with ourselves,
When our dreams have come true
Because we have dreamed too little,
When we arrived safely
Because we sailed so close to the shore.

Disturb us, Lord, when
With the abundance of things we possess
We have lost our thirst
For the waters of life;
We have ceased to dream of eternity
And in our efforts to build a new earth,
We have allowed our vision
Of the new Heaven to dim.

Disturb us, Lord, to dare more boldly,
To venture on wider seas
Where storms will show your mastery;
Where losing sight of land,
We shall find the stars.

We ask you to push back
The horizons of our hopes
And to push into the future
In strength, courage, hope and love.

Grant us, Lord, when
We are too well pleased with ourselves,
When our dreams have come true,
Because we have dreamed too high,
When we strive to be
Because we sail so close to the shore

Grant us, Lord, when
With the substance of things we possess
We have lost our faith,
And the waters of life

We have ceased to dream of glory,
And in our efforts to build a new earth,
We have allowed our vision
Of the new heaven to dim

Grant us, Lord, to step right boldly
To venture on wilderness

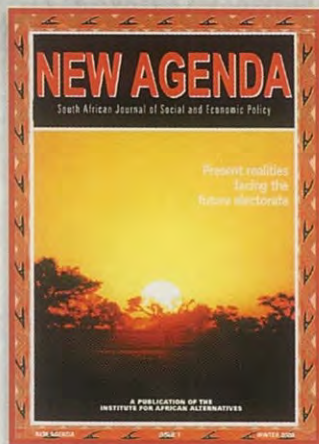
Where storms will show your mastery,
Where there is no light of day,
We shall find the stars

We ask you to push back

The fog of doubt

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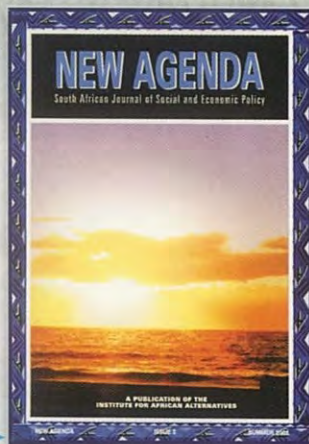
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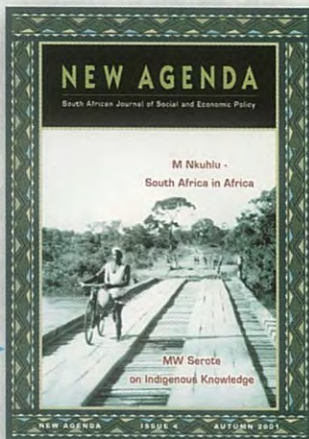
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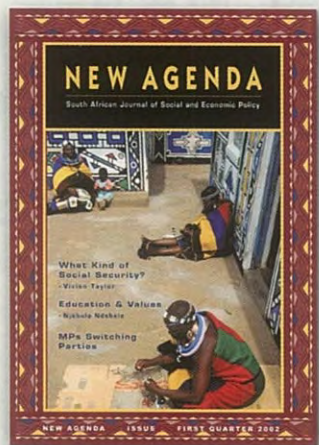
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