

ALTERNATIVES TO NEO-LIBERALISM IN SOUTHERN AFRICA

A Concept Paper for Discussion

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Introduction

This is only a framework concept paper. A framework paper is a skeletal presentation of the most salient features of an argument put in a coherent set of propositions. These propositions are based on certain assumptions and values that are subject to debate and empirical research. The objective of this particular concept paper is to argue that the present neo-liberal paradigm that informs and orders the economy and politics of the Southern African region is both anti-developmental and unsustainable. It is also neither just nor fair to the broad masses of the people of Southern Africa. A more positive side of the argument is that another kind of order is both necessary and possible. The paper seeks to bring out the principal elements of an alternative world that is both desirable and feasible.

This, however, is not a closed (not an open and shut) framework. It is offered here as the most concise presentation of an argument whose underlying premises and values are contestable. The idea is to build a consensus around the framework paper so that further work can be carried out to argue the case more persuasively for a broader audience. This is what the first workshop of a selected number of thinker-activists from the region will do.

The pedagogy behind the concept paper is not moralising. It is educational. It seeks to inform and educate, and above all to agitate. The word 'agitate' is used in a positive sense, in the sense of creating a sense of outrage at the injustice and inequity about the present system so that there is a sense of urgency to change the system towards a fairer and more just order.

The paper is divided into three sections: An overview in the first section sets out the objectives of the project, makes a list of the main points of an alternative strategy, and puts out a menu of the basic concepts, and the basic outline of theory and method employed in the paper. These concepts are not elaborated at any length; they are simply indicative. Some amount of discussion on the method and the key concepts is expected, although it is important not to get bogged down in an overly ideological or academic discourse. The objective of this exercise is practical. Not academic.

The Second section deals with the Socio-Economic-Political Structure of Post-Colonial Southern Africa. It is the section on which a lot of secondary literature is available, and can easily be developed later. There are gaps in the literature

as also on the empirical material that need to be filled. In this paper, it is deliberately left as simply chapter and sub-chapter headings. The idea is not to get lost on a descriptive discourse on the nature of the economy and society. The workshop can look into the outline and suggest how this Section may be developed. The 10 (or so) thematic groups that will be set up to undertake a more thorough empirical research will be guided by this framework. But the workshop needs to make its input on how this Section should be structured (or restructured) for further group work.

The most important is Section three where an alternative strategic scenario is developed and argued. This is where most of the discussion should focus in the two-day workshop. The objective of the workshop is to develop a consensus on the main elements of an alternative strategy. It is not a fully developed piece of work. Many of the observations are made in a deliberately tentative and provocative manner in order to trigger debate, and seek clarification on the issues raised. There are likely to be divergent views on many of the issues raised, and so an impression is avoided that these are final and unalterable positions of the author. There is need for a collective ownership of the main ideas embodied in the strategy paper, and therefore the argument is set out in the way that it is.

As a method of organising the two-day workshop, I would say that the order of discussion follows the reverse order from the presentation in the paper. In other words, the author should present the main elements of an alternative strategy, and on the first day the discussion focuses entirely on the alternative strategy with a view to reaching some kind of consensus on it. Naturally, some of the theoretical, conceptual and pedagogical issues will come up during the discussion that will need clarification (issues that are simply raised in the first section). The second day should then be devoted to giving structure to the second section of the paper, in other words to the next stage of the process, i.e. a finalisation of the themes and the rationale behind them, the setting up of thematic groups and their composition, and the mode of work of the groups. The second day should also examine some of the process issues, such as how the wider community of scholars and activists might be involved in further stages in the development of the project, financing matters, publishing, media work, and so on.

Section I: An Overview

Ch 1 The Objective of Project ANLSA and an Executive Summary of the report

Objective of Project ANLSA

The objective of the Alternative to Neo-Liberal Strategy for Southern Africa (ANSLA) is frankly ambitious. It is to take the first steps towards creating a different economic, political and social order in this region of Africa from the one that obtains presently. It is recognised that this is not a purely intellectual

exercise. History is moved by large numbers of people acting on the social and political stage of the world. Nonetheless, the ideas of a few can trigger bigger forces. Ideas, after all, do not come from thin air. They are products of certain social and political forces at a particular moment of history, and are a reflection of these forces. If they are not, then they are irrelevant, and they fall by the wayside. In other words, ideas can help give direction to a movement only if they are in the general direction of the flow of history. That is where the phrase "an idea whose time has come" draws its strength. So the first objective of the project is to give a coherent and reasoned expression of an alternative order in the southern African region of the world in the hope that its time has come.

The second objective of the project is to translate the ideas into actions. Once again, this is not a purely intellectual exercise. Ideas are a powerful force once they are seized by vast numbers of people. The transformation of any society, let alone a whole region containing more than 100 million people, is not a one-day wonder. How this can be achieved is a daunting task, certainly not one that can be done by a few intellectuals or activists. Hence it is part of the objective, and process, of ANLSA to broaden the ownership of the project, and turn it into nothing short of a mass movement over a period of sustained education, consultation and debate.

An Executive Summary of the report

This part will summarise the basic elements of the proposed alternative strategies, of which the principal elements are:

- 1 At political and social level, people-led strategy
- 2 At the economic level, a domestic-demand driven strategy
- 3 Regional integration and the struggle against fragmentation by the North
- 4 Phased withdrawal from globalisation and preparing for negotiated relinking
- 5 Policy on Science and Technology
- 6 Strategy for alliance building within the region and globally.

Ch 2 Political Economy - A Brief Discussion on Theory and Method of Analysis

- 1 The neo-liberal economic and political discourse
 - 1 The tyranny of concepts and theories
 - 2 The ideology of Economism
 - 3 Two faces of developmentalism
 - a) What the South means by development
 - b) What the North means by development
- 4 Democracy and governance debate
- 2 Why is power an important element?
- 3 Need to put class at the centre of analysis
 - a) There's no economy without production & no production without classes
 - b) Labour-Capital is the primary contradiction but not the only one

- c) The question of National Self-determination
- 4 Role of the state
- 5 Social Forces for Change

Ch 3 A People-Driven Southern African Development Strategy

- 1 The Conventional Approach to Planning
- 2 People-Oriented Planning
- 3 Means and Ends
- 4 What it means to think and act Southern African

Section II: Socio-Economic-Political Structure of Post-Colonial Southern Africa

Ch 4 Main features of the post-colonial southern African economy

- 01 Land and Agriculture
- 02 Mining and Minerals
- 03 Manufacturing
- 04 Finance and Banking
- 05 Interest. The credit system
- 06 Science and Technology
- 07 Education and ideology
- 08 Services - Public and commercial
- 09 Destruction of indigenous self-reliant fabric of society
- 10 The working population of Southern Africa - numbers and character
- 11 The other classes - economic elites and dominant classes
- 12 The character of the state and bureaucracy
 - a) Downsizing of state and return to the market
 - b) The state system and the state elite

Ch 5 Post-colonial state strategies in the context of globalisation and the crisis of Development

- 1 Post-liberation promises and actions in the first few years after independence
 - 1.1 Early actions of government on land and the peasant question
 - 1.2 Early actions of governments for the workers
 - 1.3 Early actions on social services
- 2 The IMF, the World Bank and the globalization of policy-making
 - 2.1 The forces behind globalisation
 - a Global Capital Accumulation
 - b Cyclical and systemic crises
 - c The power of transnationals
 - d How the system survives and regenerates itself, and how this effects the South
 - 2.2 Structural Adjustment and Poverty Reduction Programmes
 - a) Controlling the population: An agrarian police state

- b) IMF-WB strategy seeks to delegitimise nationalism & nation-building project
 - 2.3 Democracy and the question of governance
 - 2.4 The misplaced faith in FDIs and how it effects economic and social policies
- 3 Effects of Globalisation and Liberalisation on the SADC region
 - 3.1 Liberalization of international trade and its effects in Southern Africa
 - 3.2 Financialisation of capital markets and its effects in Southern Africa
 - 3.3 Privatisation and the negation of national state control
 - 3.4 Perverse regionalism - regionalism dictated by the EU (Cotonou) and AGOA (USA)
 - 3.5 NEPAD and the African Union
- 4 Two case studies of the effects of trade liberalisation in South Africa and SADC
 - 4.1 Case study: Effects of divergent policies of SADC countries in the WTO
 - 4.2 Case study: Effects of SA-EU FTA in South Africa and southern Africa
- 5 The Crisis of Development
 - 5.1 Foreign Debt Crisis as a Crisis of State Insolvency
 - 5.2 State insolvency as the financial expression of the crisis of development
 - 5.3 Impoverishment of lower classes and increasing inequalities as the main effect of globalisation

Section III: Alternative Strategies to Neo-Liberalism

Ch 6 To Integrate or Not to Integrate - Is there a choice?

Does Africa have any choice in the matter of globalisation? It is argued in most mainstream circles that globalisation is a "natural" process of history, something that is driven by certain embedded elements (such as technology, for example) that are irrevocable and irreducible, aspects of the movement of our times. There is very little one can do about it except to take advantage of these as best as one can, or at the very least to adapt to them. By the same token, "development" is a process and product of making the maximum use of the "opportunities" provided by globalisation. As indicated earlier, NEPAD takes this view of globalisation as its point of departure in delineating a certain approach to development in the African continent.

Hence, the question of whether Africa should integrate or not integrate into the global system, according to this viewpoint, is a moot point. Africa is already part of the global system, and there is no way it cannot be part of it. To make this argument persuasive the "integrationists" sometimes point to the experience of countries such as Albania and North Korea. These countries, they say, tried to "delink" from the global system, and all they succeeded in doing was to impoverish their peoples under increasingly authoritarian political systems. At the end of the day, they had no choice but to "return" to the

system, even begging for charity in order to save their impoverished people from starvation and death.

This view has to be seriously considered and countered in offering any alternative strategy.

6.1 Strategic Issues - Africa's Future: Free will and Determinism

How much free will do countries have, and how much of their future is pre-determined by immutable forces of history? To be specific, how free are countries of Africa to break away from the system of globalisation?

There is no denying that there are indeed objective forces that move history – whether such a movement is forward or backward is a debatable. From an African perspective, for example, there is no question that slavery and colonialism were retrogressive forces. Above all, they truncated the natural evolution of African societies, and prematurely embedded them into an extremely exploitative and predatory system in an utterly asymmetrical power relationship from which Africa has yet to deliver itself.

Some theorists put the contradiction between labour and capital as fundamental to the present epoch. Following this they argue that it is only with the attainment of socialism (when the working class assume hegemony of the economy and the state) that Africa will, with the rest of the world, get its deliverance from an oppressive system of global capitalism.

There is much truth in this, but not the entire truth. Capitalism is the dominant system today, but whether Africa will be fully liberated with its demise is a debatable issue. The Chinese experience taught us that the defeat of capitalism is not enough unless there is also a thoroughgoing cultural revolution. So yes, capitalism's demise is a necessary condition for the liberation of all humankind from the present oppressive system, almost by definition, but there are liberatory actions that can be undertaken before its complete demise (for example, the political liberation of Africa from direct colonialism that is now more or less accomplished), and there are liberatory actions that may still need to be done even after the collapse of capitalism as a global system. After all, Africa's relations with Europe preceded the emergence of Capitalism. Indeed, this is true not just Africa but the whole of the so-called "South". The North-South relations have a special place in the annals of global history quite distinct from, but merged with, the development of all other systems, such as Capitalism, Socialism, and whatever else might emerge in the future. The North-South predatory relationship has over 500 years of history (longer than capitalism), and nobody has yet seen the end of it. This relationship has taken one form or another at different times – slavery before the rise of capitalism, direct colonial settlements (as in America, Canada, Australia, Latin America, the Caribbean, and southern Africa, for example), economic colonisation (as in most of Latin America by the United States, for example), semi-colonies (as in the port cities of China), neo-colonies (as after formal political independence of many of these colonies), and multilateralised colonies (as after the end of the Second World War under the World Bank, the IMF and now the WTO).

Those who argue that globalisation is “inevitable”, and that there is little one can do about it except to submit to it and make the best of it, have no respect for history, let alone of people’s struggles for liberation. History is not made only by those who conquer. It is also made by those who resist conquest. They may lose out in one period in time, but they are not permanent losers in all eternity. Africa has liberated itself from direct colonialism and apartheid. The next battle is against the forces of globalisation that seeks to keep Africa in permanent bondage.

Does Africa have the free will to determine its own future? Yes, of course, it does. The forces of history are not as immutable and unconquerable as the theorists of globalisation make them out to be.

6.2 How globalisation constrains policy options and hands these over to the rule of corporate capital

Globalisation is not as what its apologists present it. As we observed above, it is one of the principal means for the system of capitalism to get itself out of its recurrent cyclical and systemic crisis. As we saw, one of the clearest manifestations of this crisis is the inherent tendency within capitalism of the replacement of labour with capital (i.e. capitalisation of production), which has a two-fold effect. The first is that it throws millions of people out of employment. Capitalism has no answer, at the global level, to the crisis of unemployment that it is built within the system itself. The second effect of this tendency is that since capital forms larger and larger proportion of production in relation to labour, there is a continuous downward pressure on profits per unit of capital.

Earlier we saw that at the global level, the capitalists then seek to contain this downward pressure on profits by taking a number of measures, some of which are in their own countries (such as sacking workers, or through mergers and acquisitions). But a very large part of the “corrective” actions against declining profits are taken in relation to the countries of the South. The dominant capitalists use their control of global production and marketing to pry open the markets of the South in order for them to conquer those markets for their own goods and services. In this they use the power of the dominant states, and of rule-making bodies such as the IMF and the WTO. They also use these agencies to liberalise capital markets so that their capital can move freely unhindered by restrictions that the former colonial countries might want to put in order to generate indigenous growth.

This is what the battle is all about in the WTO and in the World Bank and the IMF. It is for markets for goods, services and investment capital. In this process, the dominant capital, the dominant states, and the multilateral agencies of rule-making and rule-enforcement seek to limit the freedom of the countries of the south, and constrain their policy options. Their aim is to nothing short of bringing the countries of the South (that had during the 1960s to 1990s gained a degree of independence from global capital) back to the domain of the rule of global capital.

In other words, capital-led globalisation is a policy, not an inexorable march of history. It is the policy of the transnational mega corporations, backed by their

powerful states and the multilateralised system of controlling the movement of goods, services and capital, to control global markets in order to maximise their profits and fight against the persistent downward pressure on their profits. It is not, as made out by its apologists, an inevitable process of history, even less a "technology-driven" necessary process out of which there is allegedly no escape. Indeed, for the peoples and governments of the South, they have no choice but to resist these forces if they wish their countries to develop. Granted, such an exercise, were it to succeed, would put capitalism under severe strain and could even lead to its collapse. Capitalism's apologists would argue that such a collapse might not be to the interest of the countries of the South, that it is the common interest of the South as well as the North to ensure the survival of capitalism. But they have a weak case for so arguing. The collapse of capitalism may mean ruin for a few thousand multinational corporations, and the end of their hegemony, but it could well mean the liberation of the rest of humanity. The peoples of the world, especially those in the South, have no vested interest in the survival of the capitalist system.

6.3 Two conceptions of Renaissance

If the argument so far has credence, then it is obvious that there is no renaissance for Africa within the Capitalist system. Those who seek a capitalist paradise live in an eternally false hope. Africa's renaissance and capitalism are inherently contradictory. To be sure, capitalism has opened the door to a few thousand millionaires (even billionaires) from Africa, but for the vast majority of its population there is no pot of gold at the end the capitalist rainbow. Such good luck for the majority of Africa's population is historically ruled out. How is it possible for Africa to redeem itself within the Capitalist nexus when the capitalists from the industrialised countries are themselves in a crisis? How is it possible for Africa to win in a world where the downward pressure on profits compel corporate capital to seek its own renaissance by broadening and deepening their control over Africa's markets, resources and indeed even governments?

The alter conception of Africa's renaissance lies in Africa taking its own destiny in its own hands. Whether this will take the form of socialism or some other system, nobody knows. It is foolish to be dogmatic about this, for the first task of African leadership is to liberate the people from the forces of capitalist globalisation and oppression.

6.4 The short, medium and long term strategic options for Africa

Ch 7 An Alternative Production System

An alternative production system must be built on two mastheads. The first is the agro-mineral processing industrial production primarily for the domestic market. The second is the regional masthead. The second masthead will be analysed later. Here we focus on the first one.

As an earlier chapter showed, agricultural and mining are the two pillars of southern African economies. There are significant contributions also made by the manufacturing and services sectors, but these are dependent on the resource based agricultural and mining sectors. This is true not only of countries such as Mozambique and Zimbabwe which are primarily agricultural countries, but also of South Africa that has relatively developed manufacturing and services sectors. With all its wealth (compared to the rest of the countries in the region), the South African economy is not really that large (no bigger than the size of Belgium in GDP terms), nor is it comparable in qualitative terms to an economy such as, for example, that of the United Kingdom. The UK economy's comparative advantage lies primarily in its service sector, especially financial and banking services. It is qualitatively different from South Africa's. The UK does not have much of agricultural or manufacturing industries to talk about. South Africa, on the other hand, like all other countries in the region, is primarily a raw materials producing country.

It is useful to make these comparisons because no matter how important the services sector (much, for example, is made of the tourist industry in southern Africa), there is no escaping the fact that the production system in this region must focus on the primary resources of the region (agricultural land, forests and minerals). This is where value must be added in terms of beneficiation and processing. In the long run, because of the solid material and resource base of southern Africa, the region has the potential to outstrip the UK in terms of industrial production and material growth, provided it is integrated into the global system of production qualitatively different from what obtains at present.

The second essential element of an alternative strategy is that production must be primarily for the domestic market, and only secondarily for export. And the "domestic market" is defined, as elaborated later, as the Southern African market. This is not to say that exports are not important; they are. But an export-led development strategy is seriously flawed for many reasons as analysed in an earlier chapter (Ch 5). Briefly, an export-led strategy distorts development priorities, diverts resources away from satisfying the needs of the population, creates wrong kinds of skills, and makes the economy precariously vulnerable to the hazards of international trade and capital movements. Furthermore, in the present global division of labour and productivity, the southern African region can compete neither with the advanced industrialised countries in the capital-intensive exports nor with China or India in the labour-intensive exports. Southern Africa's best bet is to concentrate on developing and protecting the domestic market.

A third essential element of an alternative strategy is that the resources (land, forests, minerals, etc.) must be owned by the nationals, either through the private sector or the public sector. To be sure, there are many hurdles to transferring the present ownership of these resources from foreign to nationals. There are entrenched clauses in the Constitutions of these countries that protect foreign ownership of these resources. There is the whole body of cultural and philosophical thought that goes beyond the legal and constitutionality issues, which makes it a taboo to even question let alone violate the presumed sacredness of private property. There are complex taxation and company laws that enables foreigners to register as "national" entities in law, and own property through these agencies. Above all, there is the ever present threat that if

attempts are made to transfer the ownership to nationals or the state, the region will be starved of the "much needed" foreign capital and the region will die in a limbo of underdevelopment.

The issue of private property is, of course, fraught and extremely complex. It can be challenged only at great peril, as the experience of Zimbabwe's land reform shows. There are both domestic and international forces that have a powerful vested interest in protecting foreign ownership of private property, especially those historically vested in land and minerals.

It is one of the myths of neo-liberal economics that ownership is an irrelevant issue as long as whoever owns the resources is able to bring in capital, technology, management and marketing skills to develop these resources. If that were the case, the global economy would have been fully internationalised long ago, with ownership of assets becoming an historical anachronism. In reality, as long as there are nations and as long as "one world" does not become a material reality (a dream of some utopian thinkers), the question of national ownership will continue to remain one of the principal contradictions between nations and regions. There is no nation in the world (including the United States) that can afford to surrender the well-being of its citizens to the risk of foreign ownership of the bulk of its resources and assets. And this is exactly what prevails in southern Africa. Every effort to redeem national control over these resources and assets is met with a barrage of furious and even violent counteraction from the Empire, its local agents, and the international media.

Ch 8 Science and Technology

Another myth of neo-liberal economics is that globalisation and liberalisation offers the best prospect for acquiring technology, and technology is the primary determinant of economic growth. The authors of NEPAD (the New Economic Partnership for Africa's Development), for example, lay an extraordinary emphasis on technology (especially Information Technology) as a means of Africa leapfrogging into a new era of development. In order for this to happen they lay emphasis on the creation the "right conditions" in Africa that would attract foreign direct investments (FDIs), which they argue will bring technology into Africa. Africa, they say, needs to plug into "dynamic value chains" by moving up the technological ladder. This, they maintain, will create for Africa a niche in the global "value chain" in which it will have a competitive edge over other players.

This is illusion building at its worst. Technology is not neutral. It is embedded in capital, and it is controlled by whoever controls the capital. Capital and its embedded technology enable its owners to make policy on production, marketing, pricing and the distribution of income. It is an illusion to think that southern Africa will secure this kind of embedded technology from the West and then to out-compete the West. Countries such as Korea and Taiwan were able to do it because they disembedded the technology from its capital base (by, for example, copying intellectual property, and reverse engineering), and by creating a "national" base for capital. Supported by their governments (through generous credit facilities and trade barriers against foreign goods) the local entrepreneurs created their own national companies that first secured the

domestic market and then entered into competition with the Western companies in the global market.

Since the end of the cold war, this option is no longer available. Africa has missed this historical opportunity. Now that the cold war is over, even Korea cannot expect indulgence from the United States. The US, Europe and Japan took the first opportunity that availed itself with the financial crisis in Korea in 1997/98 to assert their control over the industrial and financial empire that Korea had so painstakingly created over thirty years of hard work of its workers and the skill of its entrepreneurs.

The only option left to Africa is the Chinese (not the Korean) option. The Chinese are developing a scientific community base as fast as possible by sending their young graduates to the US and other advanced countries in order to learn science and its application to production, and then ensuring that they (or most of them) return to China. In the meantime, the Chinese are buying off all discarded machinery from Western countries at the cost of scrap for the older industries, such as ginning, textiles, and a whole array of consumer goods manufacturing. (A Capstain lathe machine, for example, that cost \$100,000 40 years ago can now be purchased for \$100 in the auction floors in Europe). In the case of, for example, Germany, the cost of labour is so high that it is no longer economical to employ these machines. Europe has moved on to semi-automatic, then automatic and now computerised technology in order to beat the wage cost. They have moved up the "technology ladder" in order to retain their competitiveness. (England, in the meantime, has ceased to be a manufacturing nation, and has moved on to providing financial services to maintain its position in the global market). The Chinese, on the other hand, can purchase all the discarded machinery from Europe at practically no cost, reassemble them at home, employ labour at the prevailing rate in the national market (called "cheap" by the West only in comparison to their own wages), and then export these goods to the Western markets at prices that are one-tenth or one-twentieth of the production cost in the West. In another decade or so, the Chinese will control 40 to 50 percent of global trade in traditional consumer goods.

For Africa the Chinese experience is an option, but not to compete against China in the export market. The wages in Africa are much higher than those in China. However, the option Africa can exercise is to buy older and discarded (but still usable) machinery and technology from the West (the way China does) in order to produce for the domestic (regional) markets in Africa. Above all, Africa should encourage local entrepreneurs to engage in real-time production (not the kind of speculative activities that most of them are engaged in), and then protect the domestic (regional) markets with high tariffs until the domestic market is secured for national entrepreneurs either acting on their own or in partnership with the state.

Africa should not use the latest technology for mass production. Africa needs labour-intensive, slow moving machines that can produce enough goods to satisfy the domestic (regional) market. Even if Africa is able to mass produce using the latest say laser beam technology and computerised machinery, where will they sell the products? The domestic market is limited, and in the export market they cannot compete. Besides, in order to produce using the latest

technology, they will have to import all the necessary technical and managerial skills from outside, which make the whole enterprise non-viable. Indeed, worse because in the process it creates debt finance and an increasing burden on debt servicing.

Ch 9 Role of the state

9.1 The debate on the development state - is the Malaysian state a model to emulate?

Amongst economists concerned about lack of development in Africa, a debate has started in recent years about the character of the state, and its role in economic development. In chapter five we saw how the state in Africa has been minimalised with the intervention of the IMF and IMF-induced structural adjustment programmes. The IMF and World Bank "experts" continue to argue that the only role for the state is to maintain law and order, and to create facilities for the private sector to engage in economic activities. It must not create an over-regulatory framework, or create trade barriers and fiscal obstacles that hinder private sector initiatives and freedom. Give the private sector the necessary incentives to make profits, and unfetter the markets of the heavy hand of the state, and Africa will be on its way to growth and eradication of poverty.

This proposition is now seriously contested by economists like Thandika Mkandawire who argue that the African state must resume its developmental role. The state may not directly engage in production (although in certain sectors that too may be necessary), but it cannot disown its responsibility of regulating production, allocation of resources, the development of an educated population, and protecting local manufacturers and traders in order to encourage growth of the national economy. Things cannot just be left to the market. The market is not a neutral agency that allocates resources where they are most needed, or even most efficiently. The market is driven by powerful forces that manipulate everything from prices to production and technology. So the choice is not between regulating and not regulating. It is between whether the regulation of the market is done by the IMF/WB experts and the transnational corporations, or by the African state. And it is better that it is done by the state that owes responsibility to its nationals than by the IMF and the multinationals whose allegiance is to foreign investors.

One "model" that is often cited is that of Malaysia when it was still under the regime of Mahatthir Mohammed. During the period that he was in power, Malaysia rose from a backward primary-producing agricultural country to a strong, manufacturing country. Towards the end of his rule, Malaysian entrepreneurs were beginning to venture into the outside world (including southern Africa), with their capital and management and marketing skills. Prime Minister Mahatthir refused to bow down to the will of the IMF, never borrowed from the Bretton Woods institutions, did not allow his country to get into a debt bondage, and therefore was free to ignore the advice of BW "experts", and make policy that suited the interests of his own country. The Western critics accused him of corruption and authoritarian rule as a means of delegitimising his strategy, and force him to open up to the market and western "experts". But Mahatthir remained steadfast and refused to yield. During the 1997/98 financial

meltdown of several East Asian economies, Mahatthir refused to follow the advice of the IMF (for example, on raising the interest rate to attract foreign capital, and floating the exchange rate). These pieces of advice were followed by countries like Thailand and Indonesia and proved to be utterly wrong. Instead of attracting foreign capital, their assets were stripped, growth declined further and they got mired in social and political crisis. Malaysia was affected by the financial crisis in the region, but was able to buffer itself against its worse effects, and was able to recover relatively rapidly.

Is the Malaysian state a model to emulate for Africa? There are always aspects of a country's policy that are peculiar to its history, politics and culture. These give the policies their unique character. In fact, if there is a "model" lesson to learn from Malaysia, it is that the "one-size-fit-all" strategy of the IMF/WB is seriously flawed, and is primarily aimed at protecting the interests of foreign capitalists and financiers, rather than of the nationals of the country to which they give their advice. Mahatthir showed that state policies must be nation-centred and sensitive to the stage of development of the country, and to the country's peculiar history, culture and politics. In that sense it is not so much a model as pure common sense.

The other lesson to learn from Malaysia is that one should avoid getting into a debt situation, especially with the IMF. Once the IMF puts its nose into the national tent, it is only a matter of time that like the camel it manages to get the whole body into the tent and push the real owners outside. This is what has happened in many African countries, where the policies are no longer made by the nationals but by the officials of the IMF and the donor community.

A third lesson to learn from the Malaysian experience is that things cannot be left to the market. As earlier explained, the market is not a neutral agency. It favours those that have the power over capital. And it works unfailingly in the interest of the foreigners whenever there is a clash of interests between them and the nationals. Hence, whenever Mahatthir favoured national entrepreneurs over foreigners, he was charged of corruption and nepotism. Corruption is of course a vice that cannot be condoned. But the corruption argument is often used opportunistically by foreign experts and foreign companies, which themselves are not innocent of corruption and bribery. They use the argument in order to delegitimise third world state policies that favour the nationals over the foreigners.

The above is not a defence of corruption. On the contrary, it is to argue that the primary responsibility of the state is towards its own nationals, and if it is necessary to take action to protect national entrepreneurs against competition from foreigners, it is a legitimate exercise of state power. As between nationals, however, it is important to exercise an even hand of justice and fair play so that no one group of individuals is favoured over others. Even this rule may be modified if there are groups of individuals who have been disadvantaged historically. And this is yet another lesson to learn from Malaysia under Mahatthir. He deliberately institute a policy favouring the historically disadvantaged Malay population under his "Bhumiputra" policy. But he did so openly, and transparently, and was able to convince the Chinese and Indian ethnic populations that in the long run it is to the advantage of all that the Malay population should also come up to the level of the other communities. In a

growing economy, everybody benefited, and nobody lost discernibly, as an application of this policy.

To conclude this section, it is important to reiterate that there is in fact no "model" of any country that is applicable to other countries. There are only lessons that can be learnt from other countries' experiences, and applied in a sensible and reasonable manner taking into account the history, politics and culture of the country. Above all, it is the IMF "model" that must be eschewed at all cost, for it is essentially mechanistic and fundamentalist, and it serves the interests of foreigners at the cost of nationals.

9.2 The Ethical state - a human rights perspective of the development state

The ethical state, then, is that state that looks after the interests and welfare of its population.

In a free market economy, the state is forced to disown its obligations to the populations in terms of fulfilling their basic needs. These needs are expected to be fulfilled by the market. This is what was behind the spate of privatisations that swept the African continent during the 1990s and in more recent years. It started out with the forcible sale of state economic assets to the private sector. And since very few wealthy Africans had capital to buy into these assets, these were purchased (sometimes at ludicrous prices) by multinationals, as happened, for example, in Zambia with the coming of President Chiluba in power.

Once the state assets had been denationalised, the privatisation mania swept across public and social services. The state was forced to disown its obligation to provide for the basic needs of the population, such as water, health, education, energy, transport, and so on. Water became a major issue of contention in areas such as Durban/Natal and SOWETO in South Africa. Because people were obliged to buy water, when they had no money to buy it, they resorted to polluted stream water and, as expected, contracted and died of cholera. In SOWETO the people rioted on the streets demanding access to water and energy. Poor people had their water and electricity cut for lack of paying their bills.

There are certain basic human rights that the state has an obligation to fulfil. The list can be lengthened or shortened according to the circumstances of each country, but at the very least these must include food, personal security, potable water, sources of energy for cooking and heating, basic requirements for health especially of mothers and children, basic education, and minimum housing. It is unethical to leave such basic human rights to be subjected to the forces of the market where only those who have access to money are then entitled to have access to these basic necessities of life.

The tragedy of the countries in southern Africa is that there is no reason for a single person to go without food, water and any of the above basic necessities. The region is enormous natural resources, and the populations are relatively small, compared for example to countries in Asia or Latin America. The tragedy is that these resources are utilised by foreign corporations and export-oriented

local corporations in a system of global production and trade that impoverishes the people of southern Africa.

The result is that the state in southern Africa has disowned its moral obligations to its own populations.

Ch 10 Regionalism and the Global Market

10.1 The case for Regional integration

Earlier it was argued that southern African economies must bear two mastheads. One is that production must be rooted in the agriculture-minerals processing industries. And the second is the regional masthead.

It is hardly necessary to make the case for regional integration. It has been made over and over by politicians, economists, activists, cross border traders, and indeed the general population of the countries in the region. There is hardly anybody who would not recognise the case for regional integration.

The one argument above all else that must be reiterated here is the political one. The economic case based on market size and the benefits of large scale production is obvious enough. The political argument is that only through regional integration can the populations of the region acquire a negotiating clout in the global production and trading system. There is no country in the region, not even South Africa, which has the capacity and the strength to leverage the negotiations that take place, for example, in the WTO in favour of its own national interests, let alone the interests of the region.

The biggest hurdle to indigenous regionalisation, or regionalism fostered by the interests of the populations of southern Africa, is regionalism pushed from above by the dominant economic and power blocs, the United States and the European Union. Southern Africa is caught up in contending imperial interests in the region from these two power blocs. Each bloc seeks to maximise its own benefits in the region in competition with the other, even as both blocs join forces (in for example the WTO and the Bretton Woods institutions) to ensure that the countries in the region do not pursue the path of development that pulls them out of their capital and trading vortex.

10.2 Types of Regionalism

Different meanings are attached to the word regionalism, so it is important to understand in what sense we use the term here. Here we use the term primarily in the sense of integrative regionalism. It is one where the integrating partners (states in the region) are perceived to have compatible interests. No conflict is perceived, or if there are conflicts then these are "sublimated" by the higher consideration of the common good that comes out of integrating into a single economic or political unit. To some extent, the European Union is tortuously moving in the direction of this kind of integrative regionalism.

However, once the gains and losses are closely tabulated and calculated, and no state surrenders anything unless it gets something in return of equal value, it is distributive regionalism. Here the states continue to pursue their individualistic interests. There is no overriding common interest except those that are negotiated on the basis of the relative strength of the negotiating partners. Examples of this are the South African Customs Union, and the bilateral trade negotiations that go on between countries of the southern African region either within the context of the SADC or COMESA. The East African Community (EAC) that existed prior to independence of Kenya, Uganda and Tanzania was a kind of integrative regionalism (possible because of the common imperial interest of the British). However, when the three countries became independent, they resorted to analysing the distributive gains and losses, and in the absence of an overriding integrative mechanism, the EAC collapsed.

Then there is enforced regionalism where one country is subjected to the dictate of another largely because of asymmetrical power relationship. Theoretically, there is the possibility of the weaker partner to walk out of the arrangement. Practically, this may be impossible because of a "locked-in" situation where walking out may be even more costly than a bad bargain. Classically, the colonial relationship was an enforced regionalism. The colonised people put up resistance but they had little choice in the ensuing outcome. Enforced regionalism is usually power-based

A sub-set of enforced partnership is Structured regionalism where the outcome is determined not by negotiations but by historically created conditions or institutions in which asymmetry is built into, embedded in, the very nature of that relationship. It is a structured relationship. Thus, for example, in the decades when the Europeans colonised Africa it was an enforced partnership that was yet to be structured. Once the institutions of industry, trade and governance were put in place, the relationship became institutionally structured. The structured relationship may include not only institutions but also social groups (that emerge in the process of production and trade), ideological modes of thought, and even a certain kind of psychology (for example, subservient), that the imperial power creates within the colonised society.

The ACP-EU Partnership Agreement, signed in Cotonou in June 2000, is an example of structured regionalism. It is essentially the continuation of the historic relationship between Africa and Europe. Nothing has fundamentally changed about this relationship. In the "Free Trade Agreements" (FTA) that are signed by the EU and the African countries, the latter continue by and large to perform the historic role of the producers of raw materials for European industries, as well as provide markets for European goods and investments. Indeed, with the inclusion of "comprehensive and integrated approach for a strengthened partnership based on political dialogue, development co-operation and economic and trade relations" in the Cotonou Agreement, the structured relationship has, if anything, deepened and intensified even further. These are backed by sanctions that only Europe can impose on the ACP countries (the reverse case of Africa imposing sanctions on Europe is out of the question).

The US' African Growth Opportunities Act (AGOA) is an example of an enforced regionalism that has yet not become structured. It is a unilateral, fast-track, offer by the United States to open its market to African products provided the

qualifying countries undertake to meet certain U.S. economic, political and military conditions (among them the following: market access to US is open only to those countries that secure a "certificate of eligibility" from the US; conform to the WTO and Structural Adjustment Programmes; bring domestic legislation to conform to the WTO; and eliminate barriers to all US trade & investments. Furthermore, they must not engage in any act that undermines US national security and foreign policy interests). The offer is in obvious competition with the EU, and has yielded immediate economic results for a few African countries. However, the US can unilaterally withdraw the offer any time, and there is nothing an African country can do anything about it.

10.3 Why is NEPAD not the answer to regionalism

The New Economic Partnership Agreement for Development (NEPAD) is a unique kind of an integration effort at the continental level. It is a call by African countries for a new partnership with the developed countries based on mutual recognition that all cultures have something to contribute to human civilization. NEPAD argues that Africa has made its contribution by providing birth place to the human race, and in the form of ecological and natural resources. In return Africa asks the developed world to come to Africa's assistance (mainly in the form of capital and technology) to lift the continent out of centuries of backwardness and marginalisation. NEPAD, however, advocates a voluntary further integration of Africa into the inherited structured partnership with the West from which it sees no escape. It concedes defeat in the face of overwhelming power of the Empire even before the battle begins.

10.4 Peoples' regionalism - regionalism from below

It should be clear from the above analysis what kind of regionalism is best suited to the southern African region. Integrative regionalism, however, cannot be achieved as a deliberative process from on top by negotiations between governments of the region because of two reasons.

One is that they are all locked into enforced regionalism with the imperial countries, the EU and the USA. Indeed, in the case of "partnership" with the EU, it is reinforced by a structured relationship with embedded institutions, practices and even psychology of dependence. Indeed, as observed above, the structures are even further tightened under the Cotonou Agreement that has introduced a "comprehensive and integrated approach for a strengthened partnership based on political dialogue, development co-operation and economic and trade relations."

Earlier in Chapter 5, the case study of the effects of EU-South African FTA clearly showed how this arrangement is disruptive of any efforts at integrative regionalism in this part of the world. Indeed, South Africa has become a base not only to attract European goods but also investments that are then filtered through to the other countries in the region (indeed as far afield as Tanzania, Uganda and Ghana). South Africa has thus become the vanguard for global corporate and capitalist interests throughout Africa.

This is one reason integrative regionalism cannot come from governments in the region. They are victims of their own imprisonment in the structured relationships with the imperial countries. The second reason why integrative regionalism cannot come from on top is because governments, as is their nature, tend to negotiate on the basis of gains and losses for their respective countries (except in situations of enforced regionalism). As noted earlier, this is the reason that the East African Community disintegrated after Kenya, Uganda and Tanzania gained their independence separately (an eventuality Mwalimu Nyerere tried unsuccessfully to avoid by offering to delay Tanzania's independence until Kenya and Uganda were ready to achieve independence on the same day).

In the southern African context integrative integration can be achieved only from below, and as an act of faith, a leap into the future through "sublimating" considerations of short term commercial gains and losses. Indeed, it is not such a leap in the dark as the above sentence might suggest. There is no question that the present structured and enforced regionalism from on top by the EU and the USA are working against the interests of the bulk of the populations. They have everything to gain by making this leap into the future, and by demanding of their political leadership that they systematically disengage their countries from an enforced relationship with the imperial countries, and make serious efforts at integrative regionalism.

Ch 11 Who is to lead the struggle?

11.1 Why the Southern African states and state structures unable to lead the struggle

By now it should be clear why the states in southern Africa are unable to lead the struggle for an alternative development strategy. Earlier it was noted that many scholars have in recent years argued for the so-called "development state", one that departs radically from the "free market state". This paper is in favour of such a state, if it is possible to create such a state in the southern African region. Indeed, the paper goes further than the concept of the "development state", and introduces the additional idea that such a state must also be an "ethical state", one that is committed to providing for the basic human rights of the populations.

But the signs are that such a state is unlikely to suddenly appear in the region. The region is too deeply embedded in the colonially inherited structures, especially with the European Union. That the government of Zimbabwe in recent years has taken the issue of land reform and persevered in the face of threats and sanctions by the UK, the EU and the USA is actually an aberration. The government of Robert Mugabe would have preferred a peaceful and negotiated settlement with the Empire, as indeed was possible under the Conservative government of John Major in the UK. This possibility was denied by the Labour Government of Tony Blair. It is only then that the rupture with the Empire (at least on this issue) became possible and inevitable. Whether the state in Zimbabwe will pursue this rupture to its logical conclusion is anybody's guess. If the state re-establishes its links with the UK and the EU (to "normalise the situation"), this should surprise nobody.

At best what may be expected from some of the states in the region is the application of some of the developmentalist ideas of Mahatthir Mohammed, as analysed earlier. But much hope must not be placed on this happening. In fact, the reverse seems to be happening. In both AGOA and in NEPAD, the states in the region are clutching at any straw that the winds of globalisation blow in their direction. This is jeopardising genuine human centred development in their countries, as well as all prospects of integrative regionalism.

11.2 Why under globalisation, resistance arises as a popular movement led by the productive classes

Marxist literature holds that it is the working people that should be in the vanguard in the struggle against capitalism. But which working classes? The experience of southern Africa does not inspire confidence in the validity of this proposition. The example of Zambia is too clear and too fresh. President Chiluba's government drew its electoral strength from the unions and the working classes. But it was also the government in Zambia that went furthest in the privatisation of state assets, and in deepening the relations with the IMF, and the World Bank. It was also one of the most corrupt governments in the region. There are tensions within South Africa between sections of the leadership in the trade unions on the question of their relations with the state. Granted, these are complex and difficult issues. But the orthodox Marxist proposition and the reality on the ground in southern Africa need critical and honest appraisal.

One thing is obvious. The Southern African condition is not a classic textbook situation of a uni-dimensional class struggle between capitalists and the working classes. Earlier we analysed the national question and its continued relevance to southern Africa. Whilst the liberation of the working people from exploitation is an important aspect of the struggle, so is the continuing struggle for national self-determination. Political independence has cleared the way, but it has not completed the process. The embedded relationship with the European Union, for example, exploits the working people in southern Africa. But it also makes it impossible for a national entrepreneurial class to emerge. On the contrary, the processes of globalisation negate any exercise of policy options on the part of the state to encourage industrialisation and the development of local entrepreneurship that is independent of global corporate capital.

What we witness in southern Africa is deindustrialisation and a decline in the number and strength of the working classes. Vast numbers of the population are trapped in subsistence and even below-subsistence level of existence in rural and peri-urban areas. The inequalities between those in the so-called "modern" sector and those in the "non-formal" sectors are widening. The basic human rights of the people are denied to them in the apparently inexorable march of globalisation. In this kind of situation, resistance against the system takes the form of popular uprising, one that is not limited to the working people only, but also includes all people who are left out of the production process altogether. This is not a purely African phenomenon. It is also the case in a number of Asian and Latin American countries.

The stage of historical struggle is characterised by orthodox theorists as between capital and labour. But the capital-labour struggle in the southern African context is overdetermined by the North-South contradiction. This is the epochal struggle that began before the rise of capitalism, and will probably endure its demise.

11.3 Economic failure of neo-liberalism will not automatically lead to the collapse of its ideological hegemony

Ch 12 From ANLSA project to ANSLA Movement

- 1 How to move from here to there
- 2 How does the ANLSA movement relate to global social movements

Ch 13 Summary highlights of the alternative strategy

- 1 At political and social level, people-led strategy
- 2 At the economic level, a domestic-demand driven strategy
- 3 Regional integration and the struggle against fragmentation by the North
- 4 Phased withdrawal from globalisation and preparing for negotiated relinking
- 5 Policy on Science and Technology
- 6 Building alliances regionally and globally