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THE INVISIBLE FIST:

DEVELOPMENT POLICY MEETS THE WORLD

SOUTH AFRICAN PEOPLE AND ENVIRONMENTS IN THE GLOBAL MARKET

Member of

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With the World Summit on Sustainable Development (WSSD) opening in Johannesburg, this series of five booklets gives an environmental justice perspective on key challenges for sustainable development in South Africa. Development largely defines people's relationship with their environments. Governance is about who decides that relationship. It is a means through which a global contest for control of resources, including environmental and labour resources, is fought out. The booklets report from several 'fronts' of the struggle we call development. They look at how South Africa has adopted critical aspects of international governance, at whose interests are served and at the impacts on people and their environments. They indicate that, while another world is possible, it is not being built in South Africa.

1. The invisible fist: Development policy meets the world
by David Hallowes
Booklet 1 focuses on South Africa's approach to development in relation to the global order defined by the neo-liberal agenda of the 'Washington consensus'.

2. Partners in pollution: Voluntary agreements and corporate greenwash
by Chris Albertyn and Gillian Watkins
The corporate push for self-regulation is part of the neo-liberal agenda. Booklet 2 looks at what advances they have made in South Africa.

3. The cost of living: How selling basic services excludes the poor
by Mark Butler
Booklet 3 picks up on the democratic promise to provide people with services, such as clean water and energy, in relation to global injunctions for cost recovery and privatisation.

4. The seeds of neo-colonialism: Genetic engineering in food and farming
by Elfrieda Pschorn-Strauss and Rachel Wynberg
Booklet 4 looks at the role of South Africa in the global battle over the introduction of Genetically Modified Organisms.

5. Ground-zero in the carbon economy: people on the petrochemical fence-line
by Rory O'Connor and David Hallowes
Booklet 5 touches on climate change, another point of conflict between the northern powers, so as to relate it to the local impacts of South Africa's oil refineries.

The U.S.A. delegate ...commended the capitalist model ... as the only model that works. The goal of the FfD process, he claimed, should not be to negotiate changes in the system but to integrate countries into it ...

(Earth Negotiations Bulletin: International Conference on Financing for Development, International Institute for Sustainable Development, 17 Oct 2001)

Eskom’s vision of development:
Kalahari Interchange, Pan Africa Superway 2022; Timbuktu 2048; Sahara Desert 2056.

1. Vision or mirage?

The South African power utility Eskom recently ran an advertising campaign which projects a modernising vision of Africa's future. The series started with the lighting of the 'dark continent'. What appears to be a satellite image of the hemisphere at night contrasts the dense lighting of Europe with an Africa whose shape can be filled in by joining brief ribbons and flickers of light located mainly on the coast. The interior of South Africa itself is relatively well lit, particularly in the economic heartland of Johannesburg. For the rest, the vast continent lies in darkness. The follow up image shows it as densely lit as Europe.

The ad campaign then introduced images closer to the ground. They depicted: The Kalahari Interchange, Pan Africa Superway 2022 (a massive spaghetti junction); Timbuktu 2048 (a gleaming city of steel, glass and elevated highways); Sahara Desert 2056 (a verdant contoured crop-land echoing familiar images of Canadian wheat lands).

The pun on the imperial epithet of Africa as the dark continent creates a neat visual image of a 'development gap' and of closing that gap. The vision speaks of wealth and consumption. The images imply massive job creation but disembodied from the blood, sweat and wages of labour. They imply production but dematerialised of factories, pollution and waste. They imply that Africa will have 'caught up'[1] with the industrialised world but the slums are invisible. And environmental constraints evaporate before the advancing might of technology.

Perhaps it was mere coincidence that the ad campaign ran more or less simultaneously with the development of the New Partnership for African Development (NEPAD). Yet the ads seem to capture

2. South Africa's development approach

Gearing up

South Africa's liberation movements were unbanned by the apartheid government in 1990. This marked the beginning of South Africa's political transition. The challenge facing the people then shifted from resistance to apartheid to development within a democratic order. Democracy was finally inaugurated with the election of an African National Congress (ANC) led Government of National Unity in 1994[4].

The apartheid legacy of racially defined social, economic and environmental injustice determined the starting point for the development challenge (see Box 1). South Africa was one of the most unequal countries in the world on most indicators including income distribution, educational opportunity and life expectancy. Millions of mostly black people lived in extreme poverty while a minority of mostly white people enjoyed one of the highest living standards in the world. However, the economy had stalled and the costs of apartheid security were escalating.

During the early 1990s a range of experts, including the World Bank, business leaders and economists of various political leanings, said that South Africa would need a growth rate of at least 6% to create enough jobs to reverse poverty. There were intense arguments about how this was to be achieved and what the role of the state should be. The trade unions, for example, called for 'growth with redistribution' and an interventionist state. Capital on the other hand argued that the economic failure of apartheid was precisely the consequence of state intervention. Either way, Eskom's vision for Africa now would have served for South Africa then.

Successive policy formulations moved the ANC from earlier assumptions of socialism, centred on nationalising the 'commanding heights of the economy', to the social democratic Reconstruction and Development Plan (RDP), on which the ANC campaigned in the first free election, to a watered down RDP adopted by the first Government of National Unity, and finally to the Growth, Employment and Redistribution (GEAR) macro-economic policy adopted in 1995 and widely criticised as neo-liberal.

Government has rebutted criticism of GEAR on two grounds. The first is that South Africa has to deal in the real world. The political transition had coincided with globalisation, the world economy was expanding rapidly and, in contrast to the economically isolated apartheid regime, democratic South Africa would ride it. Higher rates of investment into South Africa and access to global

The apartheid legacy of racially defined social, economic and environmental injustice determined the starting point for the development challenge for the post-apartheid government. Pictures: Chris Albertyn the core of NEPAD's vision "to enable the continent to catch up with developed parts of the world" (para 65)[2].

NEPAD is represented as the vision of Africa's governmental leaders and the partnership of the title refers to Africa's relationship with the global development community. It contains much that is positive. It criticises the role of colonialism in impoverishing Africa but frankly acknowledges 'poor leadership, corruption and poor governance in many countries' (para 21) in the post-colonial period. It commits African leaders to democracy, respect for human rights and good governance[3] and to the pursuit of the International Development Goals announced in the United Nations Millennium Declaration. NEPAD is also recognised in the official agenda for the World Summit on Sustainable Development (WSSD) and will most likely be represented as Africa's programme for sustainable development.

The South African government's contribution to NEPAD was critical and, allowing for differences in context, the document reflects its development thinking. Whether the Kalahari Interchange will prove a mirage in the desert or will come to symbolise the triumph of modernisation in Africa might be gauged by what has happened in South Africa. This booklet looks at the international framing of South Africa's development policy and its role in the African region.

BOX 1. The making of poverty

Poverty is a severe symptom of unsustainable development. In South Africa, poverty is rooted in dispossession. It starts with land and the colonial need to coerce labour. Land and labour remain key areas of struggle today. Throughout the 19th Century, African peasants were the principle suppliers of agricultural produce to the market. In 1913, the Land Act confined production by Africans to 13% of the land.

Under apartheid, the racist land policy was reinforced by technological developments. Tractors made white farmers independent of the peasant's ploughing teams and family labour. They greatly extended the land under the plough, reducing the grazing available for the peasant's stock. This initially increased labour demands (particularly for cheap seasonal labour) but, with the combine harvester, farmers began to shed labour. Local economic growth in commercial farming areas was, and still is, accompanied by population decline. Farm investments also had severe environmental impacts in land degradation and chemical runoff while disregard for health and safety has exposed farm workers to toxic chemicals and high risks of mechanical accident.

The impact on the 13% of 'Bantustan' land reserved for black people was immense. The flow of refugees from white farming areas accelerated in the 1960s producing an extraordinary concentration of population and poverty. The social and environmental costs of the racial division of land were thus visited on the refugees and host communities. In many areas the environment was reduced to a barren waste.

The South African economy has relied on cheap labour and cheap energy to produce massive profits. Under apartheid, mining and industry were virtually immune to environmental regulation and workers suffered the negligence of health and safety standards. From the 1970s onward, however, the demand for labour within the economy as a whole has fallen ever further below the level of supply created by dispossession and the subsequent dependency on wages. The decline of gold mining has been a key factor. Beyond that, what first happened on the farms is now happening in the factories. It can be described as 'job shedding economic growth'.

Adapted from: Hallowes and Butler 2002.

markets would provide for growth and growth would provide the jobs. The domestic market would then grow to create a virtuous cycle. Foreign investments would usher in new skills and clean and green technologies to replace South Africa's dirty old industrial plant. Government's second argument is that the RDP remains the development programme of government but GEAR provides the economic environment through which the necessary resources can be mobilised. Fiscal conservatism and the proceeds from privatisation would reduce South Africa's debt, the country would avoid the debt trap and the consequent dictation of policy by the IMF and World Bank, and the money saved on interest repayment would be freed up for redistributive development.

With some variations on the theme, this looks very much like development as prescribed by the neo-liberal 'Washington consensus'. Leslie Sklair has given it the tag 'ELIFFIT' - 'export-led industrialisation fuelled by foreign investment and technology'. This is "the way globalising TNCs [transnational corporations] relate to the Third World as the main 'development' strategy of the capitalist global system" (Sklair 1994: 167). Alongside this development package is a related package of governmental reforms - 'structural adjustment' - which require reduced government expenditure, tight fiscal control, cost recovery on public government services and deregulation to open the economy to international competition.

BOX 2. Environmental policy in South Africa

In the past environmental governance reflected the racial, gender and class bias of the colonial and apartheid authorities. As a result, environment "suffers from a perception that it is a white, middle-class issue focused on nature conservation, that it is not relevant to the urgent needs of the country for development and social justice" (Whyte 1995: xviii).

South Africa's Constitution now guarantees the right to an environment that is not detrimental to the health and well being of citizens but qualifies this right in relation to 'justifiable economic development'. It also enshrines the concept of participatory governance. In 1994, the newly elected government committed itself to "sustainable development" as a cornerstone of the RDP. Environmental policy repeats this commitment to integrating environmental, social and economic criteria in all facets of development.

Democratic South Africa inherited a weak and fragmented environmental regulatory system. The National Environmental Management Act (NEMA) was passed in 1998 following a serious process of consultation, the Consultative National Environmental Policy Process (CONNEPP). It is very different from apartheid legislation and establishes broad democratic principles and a legal policy framework for sustainable environmental management. The principles of the law include, amongst others, sustainable development, environmental justice, equity and participation. The principles of life cycle responsibility and the polluter pays are also recognised. While NEMA provides a broad framework for environmental governance, specific laws remain weak and fragmentary. An Environmental Law Reform process intended to address this has been stalled for over three years.

The Constitution shares the environmental competence between national and provincial levels. It makes local government responsible for delivering on the right to a clean and healthy environment. The NEMA nominates the Department of Environment and Tourism (DEAT) as the 'lead agent' on environmental management within a system of 'cooperative governance' involving a range of national departments and all tiers of government. Environmental outcomes, however, are largely the product of the developmental agenda set by government. It is widely doubted that the DEAT has the political weight or technical competence to truly integrate environment within that agenda. This is expanded on in Booklets 2 and 5.

Gearing down?

Early critics of GEAR argued that its main aim was to boost foreign and domestic investor confidence and this would be at the expense of redistribution, employment and even economic growth. And they contested government's claims that the RDP and GEAR were compatible:

> A careful reading of the reported forecasts for the proposed growth framework indicates that income distribution will deteriorate during the course of the programme. This is contrary to the RDP's statement that 'our growth path must ensure more equitable distribution of incomes' ... (Adelzedah 1996:93)

So what did happen? Seidman-Magketla captured the difference between what GEAR promised and what was delivered in the table (right).

GEAR projections and actual achievements, 1996-99

	Annual average, 1996 -99	
	Projected in GEAR	Actual
Projections:		
Fiscal deficit as % of GDP	3.7	3.1
Real govt consumption as % of GDP	19.0	19.6
Average tariff as % of imports	7.6	4.4
Real bank rate	4.4	12.3
Real private sector investment growth	11.7	1.2
Real non-export growth	8.4	6.7
Outcomes:		
GDP growth	4.2	2.4
Inflation (Consumer Price Index)	8.2	6.6
Annual change in formal, non-agricultural employment	+270,000	-125,200

Source: Seidman-Magketla (2001)

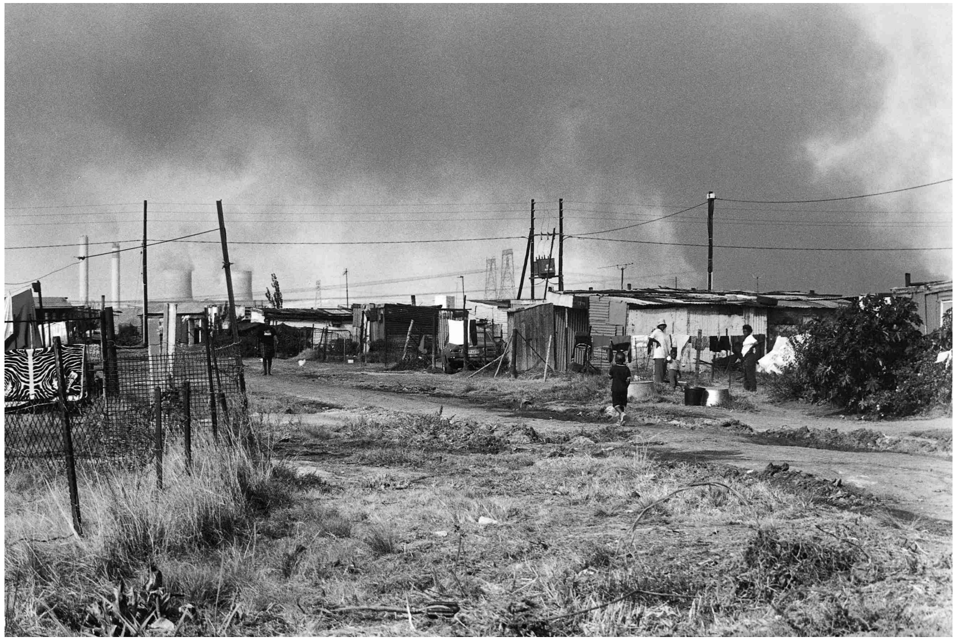
The figures are given as averages over the four year period but GEAR in fact projected escalating returns. In the year 2000, annual economic growth was to reach 6.1% while there would be 409,000 new jobs created. Padayachee and Valodia comment that the "policy appears to have been remarkably successful in the areas of fiscal restraint, tariff reductions and inflation control (all typical favourites of neo-liberal advice) and significantly off the mark on the real economy (growth and employment)" (2001: 73).

In particular, the investments predicted by GEAR failed to materialise. According to Nicholson, domestic investment "is not even enough to maintain existing fixed assets" (2001: 30). Foreign investment has been similarly miserly and 80% of it has been in the stock market rather than in fixed investment. Of the remaining 20%, "60% went into mergers and takeovers ... 16.8% went into new productive investment and 17.3% into expanding capacity" (32). While much of the 'new productive investment' has gone into South Africa's new casinos, 'expanded capacity' has, if anything, shed jobs. Thus, "American companies have increased their investment in South Africa by 300% since the early 1980s, but they still employ roughly the same number of people ..." (34).

Speaking at the March 2002 Financing for Development (FfD) Summit in Monterrey, Finance Minister Trevor Manuel expressed his frustration: "You can subject South Africa's policies to the tests of salt water and fresh water economists, and we will pass those tests. But that has not translated into a great flow of investment." In other words, the 'economic fundamentals' required by the Washington consensus are in place but the development story has not gone according to the script.

This seems close to an admission that the prescribed policy has failed. Padayachee and Valodia believe government has been quietly 'changing gear' over the last two years. Improved tax collection has allowed it to retain key symbols of neo-liberalism (such as fiscal conservatism) while moving towards a more active role in shaping the "nature of industrial growth, employment creation and poverty alleviation ..." (2001: 82). Thus far, however, it has been reluctant to expand its welfare commitments and poverty alleviation remains dependent on more jobs.

Embalenhle township, Secunda, with Sasol plant in background. Picture Bobby Peek



South Africa is often described as a 'world in one country' having both first and third world components. A good marketing slogan perhaps, but what it really means is that the distribution of wealth is grossly unequal. The richest 10% of households earn 52% of income while the poorest 20% earn 3%. The local market is defined by the rich and industry has developed to cater for that market. South Africa has had some success in expanding exports to compensate for the small scale of its market, but exports remain heavily dependent on minerals. Gold remains its principle export despite a substantial depletion of reserves, followed by diamonds and coal. Since 1994, the car industry - which is entirely in the hands of TNCs - has become the major exporter of manufactured products. Production in mining, metals and manufacturing remains energy intensive and the very low price of electricity is held to be a critical competitive advantage. In the context of the United Nations Framework Convention on Climate Change (UNFCCC) South Africa is therefore defined as a carbon dependent economy.

While exports have expanded, so have imports. South Africa substantially liberalised both its trading and capital markets following 1994. It dropped tariffs lower and faster than required by the General Agreement on Trade and Tariffs (GATT) on the assumption that this would drive productivity necessary to enter international markets. Textiles were first in line and the industry wilted in the face of cheaper imports primarily from low wage countries. In 1998 alone, over 20,000 mostly women workers lost their jobs while working conditions and wages deteriorated.

BOX 3.
The 'Gene Giants' invest in South Africa

The Gene Giants - the transnational agribusiness corporations propagating the use of genetically engineered (GE) crops - have invested in mergers and takeovers as financial pressures drive South African seed companies into their arms. The local company Sensako sold a majority stake to Monsanto "in order to compete with other transnational seed companies" (Mlangeni 1999) and Carnia has suffered a similar fate. These two mergers will result in job losses for a quarter of the staff.

Such investments have enabled the Gene Giants to leverage the rapid uptake of GE crops. In effect, this means that farmers themselves are investing in 'expanded production' and the African Farmers Union fears that this could ultimately threaten one million people reliant on farm jobs. GE technologies also threaten small-scale and subsidence production both through the contamination of non-GE seed and through the monopolisation of seed supplies. Finally, they threaten jobs in the south more generally because they enable tropical crops to be adapted to agribusiness regimes in the north where they will benefit from farm subsidies.

Other African countries have been more cautious about introducing this technology but the Gene Giants are using their investments in South Africa to open the gate to Africa. NEPAD provides a supportive policy framework for this strategy.

Booklet 4 explores the dynamics of the 'Gene Revolution' in South Africa.

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BOX 4. AGOA to the rescue?

The USA's Africa Growth and Opportunity Act (AGOA), which is given a place alongside NEPAD on the WSSD agenda, gives some indication of how the development script might run. The Act was introduced as the cornerstone of Clinton's 'trade not aid' agenda. It grants tariff free imports to the USA for textiles produced in qualifying countries in sub-Saharan Africa. It has breathed new life into the South African textile industry, which wilted in the face of international competition when South Africa slashed domestic tariffs in 1995. In Lesotho it has attracted foreign investments of US$120 million, increased textile exports by 50% and created jobs - the industry is now the country's biggest employer with 40,000 workers.

However, there are at least three problems. First, working conditions are appalling. Workers regularly put in 72 hours a week, impossible daily work quotas are used to enforce overtime without pay, health and safety violations are the rule, unions are rigorously excluded and unlawful dismissals common. The second problem is pollution, with chemicals being drained directly into streams which provide water for downstream communities. The third problem is that there is little benefit to Lesotho's economy. After tax breaks, skills training grants, loan guarantees, state investment equities, full repatriation of profits and other perks, there is little left to the local economy but the miserly wages. Nor will the investment be permanent. The Multi-lateral Fibres Arrangement (MFA) imposes quotas on producing countries and AGOA provides Asian manufacturers with an alternative route to the US market. But MFA quotas fall away in 2005 and many Asian producers will then return to their countries of origin. AGOA itself lasts only 10 years and the remaining factories will relocate at the end of that period.

According to one manufacturer, the real beneficiaries of AGOA are US retailers who are able to source cheap garments. Major buyers include The GAP, K-Mart and Wal-Mart, all of which have codes of conduct setting labour standards for their producers. Workers say the buyers never talk to them and check only product quality. International Labour Organisation standards and local country labour laws are also ignored. The authorities not only have weak enforcement capacity but are reluctant to enforce for fear that the manufacturers will relocate.

AGOA has thus stimulated the 'race for the bottom' with countries competing for lower labour and environmental standards and raising the stakes on incentives to the point of absurdity. Formally, things are very different, with access to AGOA privileges being dependent on improving labour rights and ratifying the ILO core conventions. A range of economic reforms have also been 'encouraged' and supported by US 'technical assistance'. These are aimed at opening African markets to US trade and investments, including updating 'intellectual property regimes'. Noting that sub-Saharan Africa represents a major bloc of WTO votes, Phillips and de Haan (forthcoming) conclude that 'trade not aid' describes how the US is reshaping its arsenal of foreign policy instruments in the post-cold war period.

Adapted from: Phillips and de Haan (forthcoming).

3. A regional power house?

The global economic governance regime has promoted regionalisation as scale becomes ever more critical to market positioning. South Africa has been represented as the gateway for development in Africa. It produces 44% of sub-Saharan Africa's GDP and 52% of its industrial product. The Eskom ads signal corporate South Africa's continental ambitions and South African corporations have indeed expanded rapidly throughout Africa. In the Southern African Development Community (SADC), South African investments amount to 47% of all foreign direct investment.

The South African government's regional initiatives reflect the pan-African sentiments of its leaders as well as the concern that South Africa itself cannot develop as an island in a sea of poverty. NEPAD gives the logic of development-as-capitalism a continental scale. It says that Africa needs a growth rate of 7% per annum over 15 years and annual funding of US$64 billion. Initially funding would be provided by debt relief and increased development aid but Africa would also create the right climate for investors, private capital flows being "an essential component of a sustainable long-term approach ..." (paragraph 153). NEPAD's 'market access initiative' aims for increased productivity and appears particularly focused on expanding exports.

However, there is reason to believe not only that the 'capitalist model of development' will not work in Africa, but that it cannot work within the present regime of global economic governance. Indeed, Castells remarks, "The real problem for South Africa is how to avoid being pushed aside itself from the harsh competition in the new global economy, once its economy is open" (2000: 126).

Investment - holy grail?

Foreign Direct Investment (FDI) is now the holy grail of development funding. The Institute for Global Dialogue (IGD, 2000) note that only 15 years ago most developing countries either prohibited FDI, limited it to certain industries, restricted the repatriation of profits and capital, or imposed stringent performance requirements. Such restrictions are now heretical. The policy sea change was the product of IMF and World Bank structural adjustment programmes imposed on the back of the debt crisis. The debt crisis followed the oil crisis. Northern banks, supported by the World Bank, off-loaded surplus 'petrodollars' on southern borrowers. Low interest rates encouraged the borrowers, but the rates rose over time as the global financial system recovered its balance thus creating a payments crisis.

The IGD argues that East Asia's newly industrialised countries were able to use FDI to contribute to development and did so by imposing some of the

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now heretical restrictions on FDI[5]. They warn that host country capacity to negotiate with TNCs is critical but that very few developing countries have such capacity because TNCs have "access to superior information and resources (especially to influence international legal regimes)" (2000:5).

Within the international regime created by that influence, the space for host country negotiation with the TNCs is steadily being closed down. 'Sustainable development in a globalising world' is now a key point on the WSSD agenda, but individual countries remain the units of analysis within the official development theory of the World Bank. This allows the failures of development in Africa to be laid exclusively at the door of 'internal' problems which can be addressed through 'technical assistance'. To be sure, the internal problems are manifold, but the exclusion of 'external' factors hinges on a narrow argument relating to whether or not African terms of trade have declined[6]. Hauck argues that:

> A great number of factors can be responsible for transfer of wealth from the poor to the rich world. The most obvious one is most frequently overlooked: ... repatriation of profits by metropolitan corporations ... directly and openly, or concealed by way of patent and licence fees, 'transfer pricing', managerial, technical and consulting charges, and so on. (2002: 14)

BOX 5. Stakeholder governance: a slippery step forward

With political transition, the stakeholder model of governance was introduced to South Africa and has, in effect, become the means by which the Constitutional requirement for participation has been approached. In principle, this applies to policy development, planning and the implementation of planning regulations, notably of environmental impact assessments (EIA).

The problem with stakeholder governance is that it privileges the participation of dominant interests - i.e. capital - who have greater power to participate than other social actors. However, dominant interests always do participate - that is part of the definition of a dominant interest. The TNCs' capacity to influence international legal regimes is mirrored in South Africa.

Domestic industry has dominated a number of government departments including Minerals and Energy (DME) and Environmental Affairs and Tourism (DEAT). It has held a virtual monopoly on environmental policy making and used it to push for self regulation.

Civil society was able to use the stakeholder model to challenge this monopoly through the Consultative National Environmental Policy Process (CONNEPP). Maintaining this challenge through to the details of implementation has proved daunting. Industry has made sophisticated use of international leverage and its self-regulatory agenda has found legitimacy in the guise of public-private-partnerships. Booklet 2 details the struggle over self-regulation in South Africa.

The capital accumulated from local labour and raw materials is then available as 'funding for development' in the home country (or wherever the corporation chooses) rather than the developing country. Globalisation has also been characterised by massive concentration of wealth with fewer and fewer mega-corporations dominating particular sectors. In developing countries, these corporations can act as monopolies forcing down supplier prices to enlarge their profit and correspondingly reduce local earning. Indeed, the risks of investing in 'emerging markets' are held to be such that only a premium profit and public-funded guarantees can justify it.

Markets - going for broke?

External problems meet internal problems in the shape of local markets. While South Africa leads the world in inequality, a number of other African countries are not far behind. The local market is defined by the rich who demand the product of 'first world' industry which, for the most part, is in the hands of TNCs. Local entrepreneurs who try "to compete with them would be committing commercial suicide" (Hauck 2002: 13). Excluded from production, they are restricted to distribution and nominal stakes in the TNCs. In the narrative of capitalism-as-development, the formation of a productive capitalist class in developing countries is the critical factor for development. In Africa this is prevented precisely by the developmental strategies of global capital.

Markets are the side of the equation that balances productive investment. As productivity expands, there must be someone to buy the additional product. Raising wages does not answer this problem because productivity is precisely about reducing the overall wage bill. During the 19th Century the problem was answered in two ways. First, markets in colonised countries were forced open by destroying local production. For example, cotton and salt production in India were outlawed to make way for British goods. Second, "colonial looting ... gave an enormous lift to the purchasing power of the [European] ruling classes" effectively transferring more wealth to the rich (Hauck 2002: 14).

Opening southern markets to northern produce is precisely the agenda carried by the World Bank and IMF on the back of the debt crisis. It has also been carried through international trade negotiations, a process given new impetus with the General Agreement on Trade in Services (GATS)[7]. Notoriously, northern markets remain restricted to southern goods while massive subsidies, particularly for agriculture, provide US and EU produce with an unbeatable advantage in the global 'free market'. Oxfam (2002) details the 'rigged rules and double standards' that govern international trade in the interests of powerful nations and at the expense of the poor. The evidence exposes the argument that 'external' factors do not contribute to development failure as absurd and deceitful.

Global inequality far outstrips inequality in South Africa. The richest 1% of people now earn more than the poorest 60%. Between 1988 and 1993, average global incomes rose by 5.7% but the gains went to the richest 20% of people. The poorest actually got poorer. Just as formal jobs in South Africa are substantially dependent on the buying power of the richest 10%, so jobs in the global south are dependent on the global market defined by the buying power of the north.

So, what everyone fears most is a slow down in US consumer spending. Indeed, Greenhill and Pettifor (2002) argue that the institutions of globalisation, particularly financial market liberalisation, were put

BOX 6.
Four steps to damnation

The series of World Development Reports produced by the World Bank during the 1990s amount to a 'capitalist manifesto' according to Cammack (2002). Joseph Stiglitz, in charge of producing the reports, was subsequently ousted from the Bank for criticising structural adjustment programmes in developing countries. He outlined four steps to SAPs:

1. Privatisation: allows TNCs to get cheap assets and local elites to profit from commissions.
2. Capital market liberalisation: opens national economies to international capital which will drain national reserves at the first hint of trouble.
3. Market-based pricing: raises local prices and provokes 'IMF' riots.
4. Trade liberalisation: forces poor countries into an unequal competition with rich countries which maintain protective tariffs.

"There are lots of losers but the clear winners seem to be the Western banks and US Treasury" (Palast 2001). The conflict at the Bank was thus between the interests of global corporate power and the capitalist development of national economies in the south.

GEAR was formulated before the 'Asian crisis' and perhaps its authors forgot that capitalism, whether globalising or not, is subject to recurrent crisis. And the manner in which globalising capital is able to manage its crises is by using the south as a safety-valve.

in place specifically to enable the US to finance its growing debt while still retaining its market power[8]. The 11 September assault on the World Trade Centre crystallised these fears and the value of the South African Rand then plummeted. At the beginning of September 2001 it was trading at around SAR6.50 to US$1. It dropped to its low point of over 13.8 to 1 in December and subsequently recovered around 11.3 in March 2002. While exchange rates are supposed to more or less balance the buying power of currencies and reflect the difference in inflation, the opposite has happened - the difference in the exchange rate is driving inflation and so reducing the buying power of South African consumers. As everyone knows, this is good for exports because it makes South African goods cheaper in the major markets - thus increasing the buying power of northern consumers and / or profits in those markets. The effect was a transfer of market power from South Africa to the north.

The southern safety valve

Quite why this happened remains a matter of debate[9]. A critical feature is that the Rand is among the most tradable of 'emerging market' currencies - a consequence of capital market liberalisation (Stiglitz's step two - see box 6). In short, the Rand took the fall for the global crisis and was available to take that fall because South Africa embraced the global wisdom and opened its economy even more rapidly than required. Market related pricing (Stiglitz step three) is already built into South Africa's economy. Not only has the decline of the Rand made South Africa vulnerable to rises in the oil price, but the price of locally produced foods are now largely determined by the world price and quoted in dollars. Following the Rand depreciation, food prices rose by 13% and the price of South Africa's staple white maize has risen several times more than that. If social unrest follows, South Africa may be the first country to have volunteered itself for the 'IMF riot'.

GEAR was formulated before the 'Asian crisis' and perhaps its authors forgot that capitalism, whether globalising or not, is subject to recurrent crisis. And the manner in which globalising capital is able to manage its crises is by using the south as a safety-valve[10]. The means of transferring wealth from the poor to the rich world have changed: the rules of the 'market' have replaced colonial looting. On a global scale, the 1992 Human Development Report estimated that, in 1990, the total southern subsidy to the north was US$500 billion. But adding up the figures is inherently difficult and, in 2002, this estimate looks very conservative. Sogge (1998) compares this figure with the US$48 billion that donors claim to transfer to the south in development aid but notes that aid figures are systematically inflated - by 25% to 30% in recent years - and include 'development' loans as well as aid money spent in the donor country - amounting to between 40 and 55% in some donor countries.

4. Gear on the ground

ELIFFIT finds concrete form in specially demarcated 'economic zones' designed to attract investment and promote exports. Following this model, South Africa's Department of Trade and Industry (DTI) introduced Spatial Development Initiatives (SDIs) with Industrial Development Zones (IDZs) in 1996 as "the practical implementation of GEAR" (quoted in ILRIG 2002: 3). South Africa is also taking the lead on SDIs in Southern Africa while NEPAD carries the concept into the rest of Africa with its proposal for regional infrastructure and transport corridors.

'Public private partnerships' are central to the initiatives with public finances used to secure private investments in infrastructure and industrial projects. In South Africa, incentives include duty free raw material imports, easy access to ports and airports, and 'world class' infrastructure, services and management. Government has been anxious to distinguish IDZs from Export Processing Zones (EPZ): tax incentives have been phased out and labour and environmental regulations have not been relaxed. It therefore claims to avoid the 'race for the bottom' usually associated with EPZs.

In the view of some, this explains their failure to attract significant foreign investment. Others doubt the claim. The SDIs embody a kind of modernising machismo fixated by gigantism. Anchor projects are capital intensive and the "long-term job creation potential ... [is] very limited" (IGD 2000: 17). Each job created in the Maputo Development Corridor - linking Johannesburg to Mozambique's capital city - will, on one estimate, cost SAR1.2 million. The massive Coega [11] IDZ project in the Eastern Cape will dig out a river estuary to create a new port with a cluster of heavy industries. 300 families have been moved to make way for the project and local opponents estimate that "9,000 people will lose their job [or] livelihood" (ILRIG 2002: 24). It will create only 1,100 permanent jobs - assuming that promised industrial investment actually materialises.

Critics are sceptical of the promise to maintain labour standards. Not only has business claimed that there will be "a negotiated labour dispensation" at Coega (ILRIG 2002: 23) but the pressure of 'international competitiveness' will likely take its toll. That pressure may then be relayed to the rest of the country. Pressure will also be relayed from South Africa's neighbours who have not excluded the relaxation of labour and environmental standards within their EPZs. At the Mozal Aluminium Smelter in Mozambique, an 'anchor' project in the Maputo Corridor SDI, local wages are five times lower than what is paid to South African workers and this is already creating tensions.

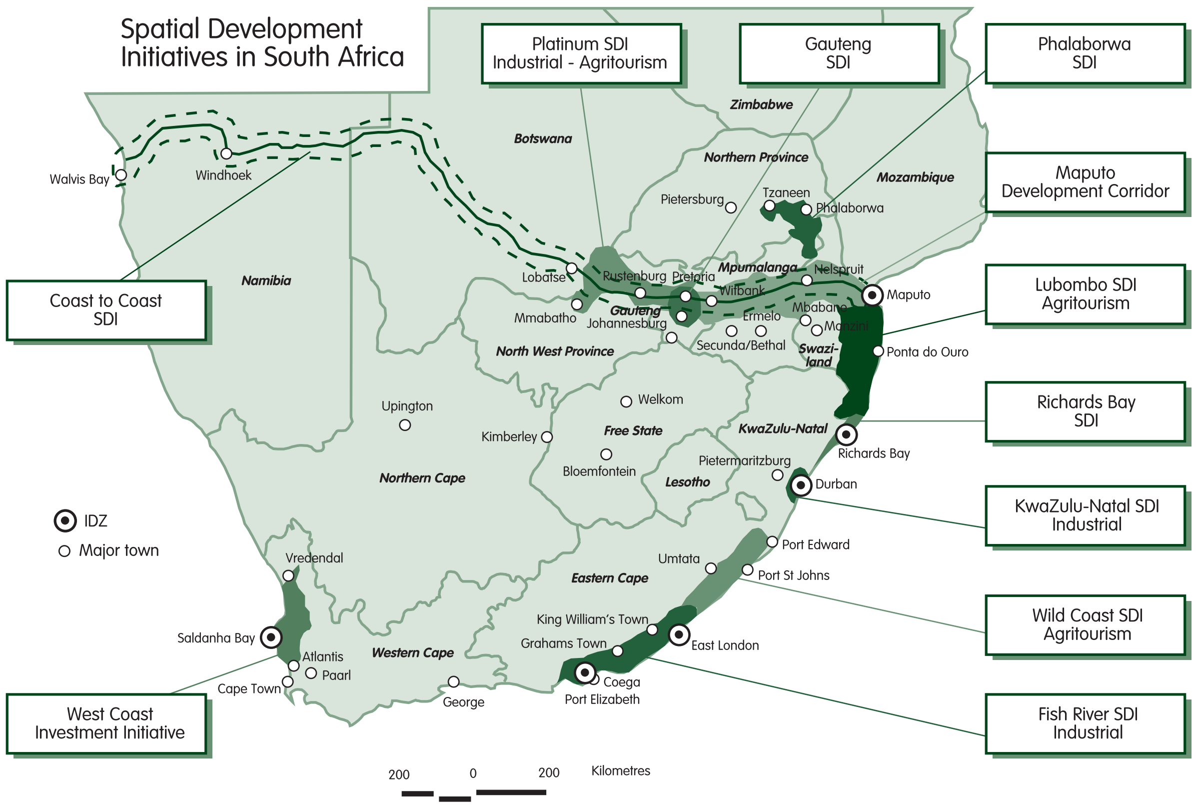
Anchor projects such as Coega and Mozal are supposed to create a 'multiplier effect', but in

Each job created in the Maputo Development Corridor - linking Johannesburg to Mozambique's capital city - will, on one estimate, cost SAR1.2 million.

The massive Coega IDZ project in the Eastern Cape will dig out a river estuary to create a new port with a cluster of heavy industries. 300 families have been moved to make way for the project and local opponents estimate that 9,000 people will lose their job [or] livelihood. It will create only 1,100 permanent jobs - assuming that promised industrial investment actually materialises.

adjacent areas the fear is that jobs will be relocated or destroyed as "factories and businesses are moving out, destroying the economies of ... local towns" (Bishop 1998). At Mozal, the outsourcing of services provides the only tangible link to the local economy. The approach "reinforces the new global division of labour, where local ... economies only supply auxiliary services to multinational corporations, and do not develop industrial capacity themselves" (IGD 2000: 18).

Environmental impacts will also be considerable. Gigantic industrial anchor projects tend to be energy and water intensive. Mozal uses more electricity than the rest of Mozambique and there are concerns that its water usage will "threaten the supply" to the city of Maputo (ILRIG 2002: 25). Similarly, local communities fear that Coega's water and electricity demand will divert or delay delivery to black townships. These projects also have major potential pollution impacts. Whether or not South Africa relaxes environmental regulations, government's implementation of these regulations elsewhere in the country has not been characterised by rigour. At the same time, government's intense dialogue with business on the conception and planning of IDZs contrasts with its engagement of civil society. In Durban, a community group resorted to gate-crashing a workshop to get information. This has reinforced the perception that IDZs will form enclaves fenced off from national norms of governance.



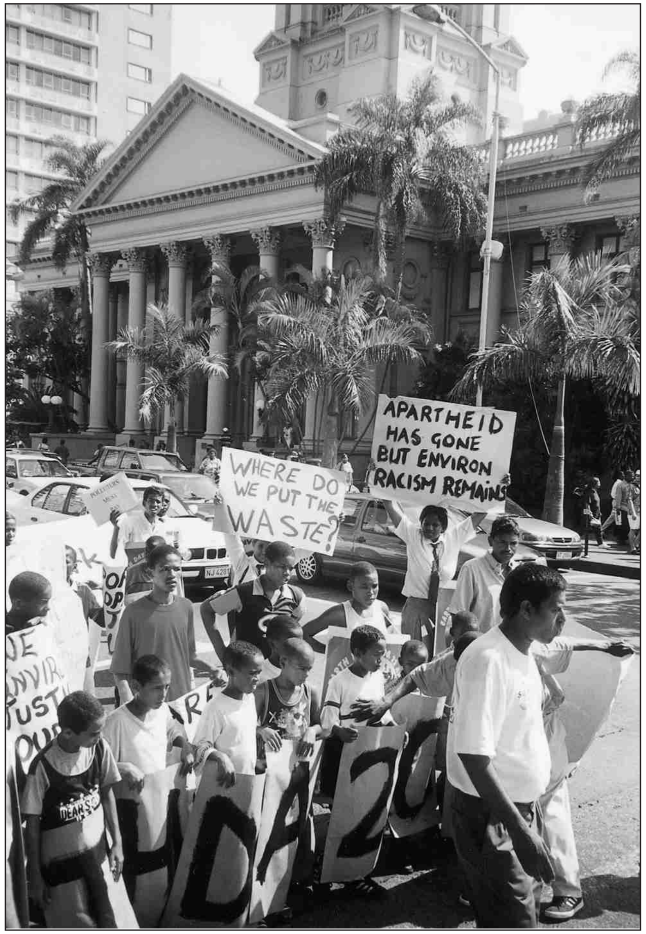
Spatial development initiatives in South Africa. (Graphic adapted with acknowledgements to CSIR)

Box 7. 'Best practice' goes local

Reflecting international 'best practice', delivery is being devolved to local government in South Africa. For the most part, local capacity for environmental regulation is negligible. Within the stakeholder model of governance, devolution puts large corporations into the ring with the weakest governmental agencies and with local civil society. Local stakeholders are also invited to participate in Environmental Impact Assessments (EIAs). Following international practice, EIAs on new industrial plant and expansions have been established as a critical tool for managing local impacts.

The sheer volume of EIAs, as well as the industry specific technical knowledge needed to understand their implications, has overwhelmed the capacities of governmental agencies and civil society and it is reasonable to assume that the majority of industrial developments receive minimal scrutiny. In the context of energy, Booklet 5 explores what this means for communities living next to oil refineries.

The same pattern is being repeated in the delivery of domestic services such as energy, water and waste removal. Here, government capacity is uneven because apartheid serviced white areas but neglected black areas. 'Private-public-partnerships' are being promoted to 'bridge the gap'. Government insists that this does not amount to privatisation but this a semantic game - service provision in South Africa is now meant to be run 'like a business' and citizens with rights to services have been turned into customers whose access to commoditised services is dependent on their purchasing power. Booklet 3 explores this aspect of environmental justice.



Communities living near to refineries protested in Durban on Earthday 2000. Picture: Chris Albertyn

5. Conclusions

The real agenda for global development - as it works through to the ground - seems better expressed in the infamous leaked memo from Lawrence Summers, then of the World Bank and now US Treasury Secretary: "I think the economic logic behind dumping a load of toxic waste in the lowest-wage country is impeccable ..." The bottom line in this logic is that people in low-wage countries have low economic value.

North-South in the mirror

At the WTO negotiations in Doha, the EU proposed that environment and labour standards should be integrated into the trading regime. Southern governments regarded the proposal with suspicion. They felt that environment and labour would be used as 'barriers to trade' just as the existing barriers come under fire.

The EU tops Oxfam's 'double standards index' (just ahead of the US) so these suspicions seem justified. The real agenda for global development - as it works through to the ground - seems better expressed in the infamous leaked memo from Lawrence Summers, then of the World Bank and now US Treasury Secretary: "I think the economic logic behind dumping a load of toxic waste in the lowest-wage country is impeccable ..." The bottom line in this logic is that people in low-wage countries have low economic value. Two chemical catastrophes illustrate the meaning of this. At Bhopal in India, compensation to victims averaged US$400 and senior executives were not brought to trial. At Porto Marghera in Italy, compensation averaged about US$73,000 and executives were charged with manslaughter.

What is impeccable logic is that the race for the bottom between southern countries works to the economic advantage of northern countries. Thus far, the EU has had few scruples in dressing up its plunder of resources from vulnerable countries as charity. Thus the EU's Lome agreement with the Africa-Caribbean-Pacific group of countries pretends to support those countries while obtaining open season on their fish stocks for heavily subsidised European corporations. While proclaiming democracy and human rights the north effectively takes bread from the poor to give cake to the rich.

The motives of southern governments who resist social and environmental rights are as questionable as northern hypocrisy. South Africa's top environmental official recently expressed the southern resentment of the environmental agenda. According to Business Report, he told the parliamentary portfolio committee on environment that "developing countries were 'taken for a ride' in Rio with all the emphasis on environment and no focus on economic and social issues" (d'Angelo 2002). For all Rio's shortcomings, this seems a peculiarly wilful reading. It speaks from the sub-text of a southern position which, at Doha as at Rio, seems to say: 'The only advantage the south has in the global market is cheap labour and our willingness to trash our environment.'

There are three significant assumptions behind this position: First, southern countries should follow in the footsteps of northern development - as is evident in NEPAD's rhetoric of 'closing the gap'; second, following from this, the environment can only be conceived as an obstacle to development; and third, northern environmental concerns can be used to leverage development gains in international negotiations.

Yet this agenda mirrors that put forward by Summers. It may be that southern governments have been pushed to this position but, as Castells notes in the case of Africa, the northern powers and African elites have a common interest in Africa's fragmented integration into global capitalism. Europe and the US benefit from the extraction of valuable assets and "what is a human tragedy for most Africans continues to represent a source of wealth and privilege for the elites" (2000: 127).

This gives the north-south debate, as it is conducted through official international fora, the appearance of a charade. Northern and southern governments are in effect on the same side though they come to it from different directions. In the name of global equity, northern governments represent their interests in securing cheap goods and corporate profits as the expressed interest of the south. In the name of global equity, southern governments represent the failure of northern countries to meet their commitments as reason to abrogate the social and environmental rights of their own people. 'Sustainable development' then serves merely to legitimate development as usual, and is itself without substance.

Finally, however, maintaining poverty and pollution in order to access northern markets is a strategy of diminishing returns for the south. Its effect is to yield yet more power to the north.

Contesting development

The agenda of global capital is being contested in both the north and the south. The rolling carnival of protest that has accompanied meetings of the global elite has mirrored the protests of southern civil society. Such protests have been notable for the diversity of the participants and have highlighted the multiple points of conflict that characterise the agenda of global capital. Emerging from this is an increasingly coherent movement for global justice.

The protests also reflect the fact that the institutions and processes through which this agenda is advanced lack transparency. The hypocrisy embedded within international trading is legitimised by WTO rules and supported by the World Bank and IMF. These international institutions are captive to the interests of northern countries and the TNCs

Protest action in Prague, 2000.
Picture: Chris Albertyn

If sustainable development is to mean that people are able to build decent lives for themselves, their families and communities, it can only start with the recognition that environmental, social and economic rights are interlinked. And it must work to protect those rights in the places where people live, work and play.

located in those countries. Through these institutions governments act as the guarantors of corporate interests while other actors in society are kept away from the arena of decision making.

The pattern repeats itself on the regional, national and local scales. In South Africa, GEAR was developed without consulting even the Congress of South African Trade Unions (COSATU) who have a formal alliance with the party of government. The NEPAD process has been similarly obscure - agreed by government leaders who have then consulted with donor governments but not with African civil society. Even its commitment to good governance is an affair between rulers subject only to 'peer' review. At ground level in South Africa, government has engaged business in intensive discussions on the shaping of IDZs, labour have been drawn in once the parameters have been agreed, while communities and NGOs are largely excluded.

In the first instance, it is this monopoly over the power to make the rules governing the global economy that is challenged by the movement for global justice. Beyond that, it falls to civil society to give voice to alternative approaches.

The relationship between people and their environments is critical to the meaning of development. In South Africa, imperialism initiated a long and continuous process of alienating black people from their environments and of coercing them into a subordinate relation within the modernising economy. Development benefited a minority but imposed cumulative costs on poor people and their environments. Excluding the majority of people from decision making was the first necessary step in unsustainable development. It enabled their dispossession. Throughout Africa, people are still being dispossessed of their livelihoods in the name of development because their rights of access to resources are subordinated to those of investors.

People's environmental interests are located on many different 'fronts' of development: in the factories and farms, as permanent, casual or seasonal labour, on the land, in formal or informal settlements, across the gender divide, in the politics of consumption, of technical development and of media representation. If sustainable development is to mean that people are able to build decent lives for themselves, their families and communities, it can only start with the recognition that environmental, social and economic rights are interlinked. And it must work to protect those rights in the places where people live, work and play. This implies development that builds "from the bottom up, gaining access to modernity through a different path, fundamentally rejecting the values and goals predominant in today's global capital" (Castells 2000: 127).

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Endnotes

1 A less charitable reading might suggest that the job started by the imperialist countries should now be completed.

2 Paragraph numbers are used for reference as there is some slippage of pagination between the Acrobat and Word versions of the document.

3 The African, and particularly the South African, response to the Zimbabwe election is being taken as an indicator of the seriousness of this commitment.

4 While the ANC won a massive majority in the first election, it invited other parties to join it in government, notably the New Nationalist Party (formerly the governing party of apartheid South Africa) and the Inkatha Freedom Party (a Zulu nationalist organisation and a key protagonist to the civil strife that wracked South Africa in the 1980s and 1990s).

5 Hauck suggests an additional explanation for the development success of Korea and Taiwan. At the edge of the cold war, they received massive US aid which "delivered additional strong demand for goods" (2002: 15).

6 The answer depends on which year is chosen as the 'base-line'.

7 In redefining state services as markets, GATS also expands northern markets for major corporations.

8 They note that the US pays interest of $20 billion on its $2.2 trillion debt while the global south pays $300 billion interest on a total debt of $2.5 trillion.

9 A commission to investigate the fall of the Rand was established following allegations of price manipulation. The hearings highlighted the impact of large corporate deals. At the time of going to press, it seems that the conclusion will reinforce rather than challenge the open market orthodoxy.

10 Discussing how the poor pay for the debts of the rich, Greenhill and Pettifer of Jubilee Research come to a similar conclusion: "Rich countries gain whenever there is a financial crisis because of the so called 'flight to quality'" (2002: 11). But they warn that the US debt, equal to all developing country debt, cannot be sustained. The southern safety valve is not fail-safe.

11 Coega is an anchor project within the Fish River SDI.