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*Between Globalisation and (Post) Apartheid: the Political Economy of Restructuring in South Africa**

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Whereas most countries in Southern Africa have experienced globalisation as externally imposed, in South Africa it has been largely internally generated by the state and the major business groups that dominate the economy. This paper examines the political economy of restructuring in South Africa, focusing particularly on the statist and capitalist logics of globalisation, and how they intersect. It explains how the South African state is trying to negotiate globalisation, and why major South African conglomerates have moved their headquarters to Britain. The impacts on employment and economic diversification of increasing globalisation from the 'outside in' are explored. As a result of the restructuring of globalisation, the South African state is increasingly characterised by 'negative autonomy' from domestic social forces and embeddedness with transnational capital, which undermine the potential for a national developmental project. South Africa's experience has important implications for globalisation theory, which can inform praxis. The article concludes by suggesting ways the political economy might be progressively restructured.

Introduction

When South Africa achieved its transition to non-racial government in 1994, a debate took place about the future direction of economic restructuring.[1] Two years later the Government of South Africa changed its development strategy by adopting an orthodox economic reform programme.[2] The South African economy is now rapidly globalising, but the nature of that

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1 For example, Macroeconomic Research Group, *Making Democracy Work: A Framework for Macroeconomic Policy in South Africa* (Belville, Centre for Development Studies, 1993); N. Nattrass, 'Economic Restructuring in South Africa: The Debate Continues', *Journal of Southern African Studies*, 20, 4 (1994), pp. 517–543; R. Kaplinsky, ' "Economic Restructuring in South Africa: The Debate Continues:" A Response', *Journal of Southern African Studies*, 20, 4 (1994), pp. 533–537; J. Sender, 'Economic Restructuring in South Africa: Reactionary Rhetoric Prevails', *Journal of Southern African Studies*, 20, 4 (1994), pp. 539–543; X. Carim, 'Engaging the Bretton Woods Institutions: Policy Implications for South Africa', *Development Southern Africa*, 12, 3 (1995), pp. 333–346.

2 Republic of South Africa, *Growth, Employment and Redistribution* (1996) (available at www.southafrica.net/economy/finance/macro1.html).

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globalisation differs significantly from that experienced by the rest of the region. While most of Southern Africa has experienced globalisation as something externally imposed and mediated through World Bank/International Monetary Fund (IMF) structural adjustment programmes (SAPs),[3] in South Africa globalisation has been largely internally generated. The two sets of actors that have most promoted globalisation from within are the state and the country's major conglomerates. How this politico-economic project evolves has important implications for globalisation theory, the popular classes of South and Southern Africa, and their resistance to it.

The Globalisation Context in Southern Africa

The Southern African region accounts for only 0.5 per cent of global economic output.[4] However, elements of the South African economy are highly developed – it contains the highest number of internet servers of any non-Organisation for Economic Cooperation and Development (OECD) country for example – and its economy dominates the region.[5] As such, with the end of apartheid, it was meant to be well placed to act as an 'engine of growth' for surrounding countries. However, despite the elimination of international sanctions, since 1996 when neo-liberal economic reforms were introduced more than a half a million jobs have been lost, in contrast to the 600,000 that were meant to be created.[6] Total private non-agricultural employment fell almost 6 per cent from 1997–1998 alone, and employment declines have continued unabated since then.[7] In the first nine months of 2000, as the gold price declined, over 9 per cent of goldminers lost their jobs, with each worker supporting approximately ten people financially.

This deepening jobs crisis could be read as a working through of the previous economic crisis,[8] and an adjustment to globalisation, which will bring renewed growth and job creation in its wake: the position espoused by ministers in the South African government.[9] Alternatively, the interaction between internal economic conditions, external competition and capital flows may presage deepening economic dualism and marginalisation. Which of these outcomes results depends importantly on the actions and strategies of the major companies that dominate the South African economy, and on state policies that frame the context in which these strategies are adopted.

The South African economy is dominated by a group of conglomerates, the four largest of which controlled 83 per cent of the companies listed on the Johannesburg Stock

3 These have now been renamed Poverty Reduction Strategies.

4 R. Davies, 'New Sources for Growth and Hope: Prospects for Southern Africa', *Development*, 2 (1996), pp. 24–28, cited in J. Mittelman, *The Globalisation Syndrome: Transformation and Resistance* (New Haven, Princeton University Press, 2000).

5 Network Wizards, Internet Survey (available at www.nw.com) cited in M. Castells, *The End of Millennium* (London, Blackwell, 1996). The South African economy is seventeen times the next largest in the region, Zimbabwe. See World Bank, *Entering the 21st Century, World Development Report 1999/2000* (Oxford, Oxford University Press, 2000). In 1981, Anglo-American Corporation controlled assets bigger than the economies of the nine countries closest to South Africa. See M. Murray, *South Africa: Time of Agony, Time of Destiny* (London, Verso, 1987) cited in A. Marx, *Lessons of Struggle: South African Internal Opposition, 1960–1990* (New York and Oxford, Oxford University Press, 1992).

6 South Africa, *Growth, Employment and Redistribution*; Economist Intelligence Unit, *Country Report: South Africa*, 1st quarter (London, EIU, 2000).

7 South African Reserve Bank, *Quarterly Bulletin* (Pretoria, SARB, June 1999 and March 2001) (available at www.resbank.co.za). In agriculture, part of the reason for job losses relates to the government's redirection of subsidies away from heavily subsidised commercial farming to social expenditures. See T. Lodge, *South African Politics Since 1994* (Cape Town and Johannesburg, David Philip, 1999).

8 See S. Gelb (ed), *South Africa's Economic Crisis* (Cape Town, London and New Jersey, David Philip and Zed Books, 1991).

9 J. Zuma cited L. Mnyanda, 'Spiralling job crisis besets economy', *Pretoria News Business Report*, 12 July 1999, p. 11.

Exchange (JSE) prior to the end of apartheid.[10] The investment strategies of these conglomerates are important not only in their own right, but also because the success of small businesses, and hence the potential for substantial job creation, is intimately bound up with them through their control of financing, linkage and demand effects, and technological spillovers.[11] The context for conglomerate strategies is framed largely by state policies, and the context in which they, in turn, are embedded. Whilst much of the recent literature has focused on the role of the country's major conglomerates in promoting globalisation from within, in South Africa the state has also been a critically important promoter of globalisation.

The State and Globalisation in South Africa

Under globalisation, capital is deregulated through the international regulation of states. While the policy formulation of most developing countries is highly circumscribed, the new post-apartheid South African state seemed to have more freedom to pursue a heterodox development strategy given its relatively low level of external debt.[12] Nonetheless, the South African government adopted an orthodox economic reform programme, Growth, Employment and Redistribution (GEAR) in 1996.

There has been a sustained debate about the reasons behind the rightward shift in economic policy, and the effective abandonment of the social democratic Reconstruction and Development Programme (RDP) in favour of GEAR.[13] For some, the government's conservatism was related to the externalised nature of the liberation struggle, and the 'petit bourgeois' nature of the African National Congress (ANC) leadership.[14] For others it was an outgrowth of domestically embedded structures of economic power, 'élite pacting', the influence of the neo-liberal discourse of the 'transnational managerial class', and the 'governmentalising' of the RDP.[15]

Apartheid was a heavily statist system, and in the minds of many members of the new

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10 S. Jones (ed), *Financial Enterprise in South Africa since 1950* (Basingstoke, 1992) cited in J. Illiffe, 'The South African Economy, 1652–1997', *Economic History Review*, LII, 1 (1999), pp. 87–103. The JSE is the tenth largest stock exchange in the world. Fine and Rustomjee argue that the economy has been dominated by six conglomerates or 'axes of capital': SA Mutual, Sanlam, Anglo-American Corporation, Liberty/Standard, Rembrandt/Volkskas and Anglovaal. See B. Fine and Z. Rustomjee, *The Political Economy of South Africa: From Minerals–Energy Complex to Industrialisation* (London, Hurst and Company, 1996).

11 B. Fine, *Industrial Policy and South Africa: A Strategic View*, National Institute for Economic Policy (NIEP) Occasional Paper Series, No. 5 (April 1997); R. Kaplinsky and C. Manning, 'Concentration, Competition Policy and the Role of Small and Medium Sized Enterprises in South Africa's Industrial Development', *Journal of Development Studies*, 35, 1 (1998), pp. 139–161.

12 H. Marais, *South Africa: Limits to Change: the Political Economy of Transition* (London and New York, Cape Town, Zed Books and University of Cape Town Press, 1998).

13 See for example A. Adelzadeh, *From the RDP to GEAR: The Gradual Embracing of Neo-Liberalism in South Africa*, NIEP Occasional Paper Series, No. 3 August, 1996; V. Padayachee and J. Michie, 'Three Years After Apartheid: Growth Employment and Redistribution?,' *Cambridge Journal of Economics*, 22 (1998), pp. 623–635; M. Hanson and J. Hentz, 'Neocolonialism and Neo-liberalism in South Africa and Zambia', *Political Science Quarterly*, 114, 3 (1999), 47–502; P. Williams and I. Taylor, 'Neo-liberalism and the Political Economy of the "New" South Africa', *New Political Economy*, 5, 1 (2000), pp. 21–40.

14 D. McKinley, *The ANC and the Liberation Struggle: A Critical Political Biography* (London and Chicago, Pluto Press, 1997).

15 Marais, *Limits to Change*: L. Swatuk, 'Remaking the State: Assessing South Africa's Developmental Agenda' in K. Mengisteab and C. Daddieh (eds), *State Building and Democratisation in Africa* (Westport, Cape Town and London, Praeger, 1999), pp. 201–231; P. Bond, *Elite Transition: From Apartheid to Neo-liberalism in South Africa* (London and Pietermaritzburg, Pluto Press and University of Natal Press, 2000); J. Kunnie, *Is Apartheid Really Dead? Pan-Africanist Working Class Cultural Critical Perspectives* (Boulder, CO, Westview, 2000); G. Götz, 'Shoot Anything That Flies, Claim Anything That Falls: Labour and the Changing Definition of the Reconstruction and Development Programme', in G. Adler and E. Webster (eds) *Trade Unions and Democratisation in South Africa, 1985–1997* (New York, St. Martin's Press, 2000), pp. 159–189.

government, the economic stagnation of late-apartheid was associated with protectionism.[16] In addition, soon after the exchange rate was liberalised in 1996, the Rand depreciated rapidly.[17] The government adopted GEAR in an attempt to stem the fall of the Rand by reassuring international investors of its economic orthodoxy.

While the proximate causes of the 'run' on the Rand were a Union Bank of Switzerland report that assessed it to be over-valued, and rumours about President Mandela's health, it reflected the unwinding of a speculative bubble which had developed as a result of tight Reserve Bank monetary policy, and financial liberalisation, which encouraged inflows of speculative portfolio capital.[18] Financial liberalisation had begun under late-apartheid, and Reserve Bank 'independence' had been enshrined as part of the new political dispensation; largely because this was seen as important in renewing access to private international capital markets.[19] Thus, 'insulation' of monetary policy from democratic politics was one of the structural factors that led to the adoption of more far reaching neo-liberal economic reforms.

The South African state's attitude towards globalisation has been a seemingly contradictory one. On the one hand it has been 'hyper-liberal',[20] pursuing an extremely tight fiscal policy, exceeding that proposed in GEAR, and cutting tariffs more deeply than required by the World Trade Organisation (WTO).[21] On the other hand, it initially introduced stricter labour market regulation in the form of the Labour Relations Act.[22]

President Mbeki has argued that 'globalisation, liberalisation, deregulation and the information society … all originate from the developed countries of the North [and as such] reflect the imperatives of the economies and levels of development of these countries and therefore … serve the purposes of our rich global neighbours'.[23] However, he qualified this by stating that under globalisation, development cannot be achieved 'under conditions of autarky or self-contained development within our national boundaries or regions'. Hence the South African state is trying to negotiate globalisation.[24]

Several explanations of the government's highly neo-liberal trade, investment and fiscal strategies have been put forward. The World Bank argued that trade liberalisation would

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16 Bond, *Elite Transition*.

17 V. Pillay, 'South Africa's Monetary and Foreign Exchange Rate Policy', in J. Michie and V. Padayachee (eds), *The Political Economy of South Africa's Transition* (London, Dryden Press, 1997), pp. 101–125.

18 S. Roberts, 'Monetary Policy Within Macroeconomic Policy: an Appraisal in the Context of Reconstruction and Development', *Transformation: Critical Perspectives on Southern Africa*, 32 (1997), pp. 54–78; P. Bond, *Against Global Apartheid: South Africa Confronts the World Bank, IMF and International Finance*, forthcoming (London and Cape Town, Pluto and University of Cape Town Press, 2001).

19 M. V. Kelly, *Financial Institutions in South Africa* (Johannesburg, Juta Press, 1993); S. Maxfield, *Gatekeepers of Growth: the International Political Economy of Central Banking in Developing Countries* (New Haven, Princeton University Press, 1997); Bond, *Elite Transition*. Harris and Michie argue that the fall of the Rand in 1996 was largely the result of sales by domestic finance houses – another example of globalisation from within. See L. Harris, and J. Michie, 'The Effects of Globalisation on Policy Formation in South Africa', in D. Baker, G. Epstein and R. Pollin (eds), *Globalisation and Progressive Economic Policy* (Cambridge and New York, Cambridge University Press, 1998), pp. 413–428.

20 R. Cox, *Production, Power and World Order: Social Forces in the Making of History* (New York, Columbia University Press, 1987).

21 EIU, *Country Report: South Africa*. An official of the Ministry of Finance noted that reduction of the budget deficit was facilitated by higher than expected growth in incomes, and hence tax returns, amongst upper income groups (in conversation, 14 July 1999, Midrand).

22 G. Adler, and E. Webster, 'Introduction: Consolidating Democracy in a Liberalising World – Trade Unions and Democratisation in South Africa', in G. Adler and E. Webster (eds), *Trade Unions and Democratisation in South Africa, 1985–1997* (New York, St. Martin's Press, 2000), pp. 1–19.

23 Quoted in L. Van Audenhove, 'South Africa's Information Society Policy: an Overview', *Communication*, 25, 1 and 2, 1999 (available at www.unisa.ac.za/dept/press), p. 5.

24 The one area where the South African state has most explicitly challenged globalisation is in relation to AIDS drugs patents. See P. Bond, 'Globalisation, Pharmaceutical Pricing and South African Health Policy: Managing Confrontation with US Firms and Politicians', *International Journal of Health Services*, 29, 3 (1999), pp. 765–92.

facilitate the development of indigenous-owned small and medium-sized enterprises in 'labour-intensive, light manufacturing industries'.[25] However, within the South African government there is a recognition that 'trade liberalisation overseen by the WTO is benefiting only a few countries'.[26] Nonetheless, foreign portfolio investors favoured deep tariff cuts, and particularly after the depreciation of the Rand in 1996, it was argued that there was no alternative to adapting to the 'dictates of the global economy'.[27] Pressure from large domestically-based conglomerates was also important, as big business saw trade liberalisation as a way of ensuring continued supplies of imported inputs and disciplining labour. The Congress of South African Trade Unions had also previously endorsed limited trade liberalisation as a way of raising the real wage, by reducing the price of consumer goods.[28] Once implemented, the logic of trade liberalisation was self-reinforcing as reduced revenues from tariffs were partly offset by the elimination of export subsidies.[29]

In contrast to most developing countries, however, the strategy of trade liberalisation was also a proactive one. Cutting tariffs more deeply than required gave the government more flexibility should they need to be raised again in the future.[30] Thus, tariff reductions were motivated, in part, by the state's desire to get ahead of globalisation; to try to force industry to restructure to become internationally competitive ahead of the next round of global trade liberalisation, and to create space for some (constrained) autonomy in policy making.

The South African government has also pursued a free trade area with the European Union, despite economists associated with the Department of Trade and Industry warning that this would be deleterious to South Africa's economy.[31] The adoption of the free trade agreement was partly related to South Africa's extra-regional trade orientation, with only 4 per cent of exports going to the rest of Africa prior to the end of apartheid,[32] and was also an attempt to try to establish South Africa as an export platform to Europe.

Trade liberalisation is meant to attract foreign direct investment (FDI) by enabling inputs to be easily sourced abroad and by improving incentives to export. Tight fiscal policy enables the continuing reduction of corporate taxes on FDI profits.[33] FDI, in turn, is meant to diversify the economy, bring new technology, and create employment.

In 1996, the IMF argued that the end of apartheid and sanctions 'created the opportunity for external capital flows to return to the role they played in the quarter century before the mid-1980s, when foreign saving averaged more than 5.5 per cent of GDP'.[34] In a similar vein, tripartite alliance[35] press statements argue that 'much still need(s) to be done for South

25 World Bank, 'Private Sector Development for Black Businesses: Draft Issues Paper', (photocopied, n.d), p. 13.

26 Department of Foreign Affairs, Republic of South Africa, 'Preparing for WTO Multilateral Trade Negotiations in 2000: Towards a South African Framework' (photocopied, 1999), p. 7. South Africa was part of the coalition of developing countries that derailed the Millennium Round of the WTO.

27 Industrial Development Corporation and Department of Trade and Industry, *Sectoral Prospects: Growth Guidelines for South Africa's 80 Industries – 1997–2001* (Sandton, IDC, 1998), p. 1. The government's position has changed somewhat since the collapse of the Millennium Round of the WTO and the reinvigoration of the G-77, as it now seeks to diversify its trade, particularly to Latin America. See H. Cauvin, 'South Africa Looks West for Some Economic Muscle', *New York Times*, 31 December 2000, p. 12.

28 T. Bell, 'Trade Policy', in Michie and Padayachee, *The Political Economy of South Africa's Transition*, pp. 71–88.

29 C. Jenkins and N. Siwisa, 'Overview of Trade Policy in South Africa' (paper prepared for the Trade and Industrial Policy Secretariate [TIPS] 1997 Annual Forum at Muldersrift).

30 A. Hirsch, and S. Hanival, 'Industrial Restructuring in South Africa: The Perspective From Government' (paper presented at the TIPS 1998 Annual Forum, 20–22 September at Muldersrift).

31 E. Teljeur, 'Free Trade: Does South Africa Gain?', *Trade and Industry Monitor*, 6 (1998), pp. 1–6.

32 P. Belli, M. Finger, and A. Ballivan, *South Africa: a Review of Trade Policies*, Informal Discussion Papers on Aspects of the Economy of South Africa, Discussion Paper No. 4 (Washington, DC, World Bank, 1993).

33 N. Schoeman, J. Clausen, Z. Robinson and T. J. de Wet, 'Foreign Direct Investment Flows and Fiscal Discipline in South Africa', *South African Journal of Economic and Management Science*, 3, 2 (2000), pp. 235–44.

34 IMF, *South Africa – Selected Economic Issues*, IMF Staff Country Report No. 96/94 (Washington, D.C., IMF 1996), p. 84.

35 African National Congress, South African Communist Party and Congress of South African Trade Unions.

Africa to become part of the capital flow process'.[36] Given South Africa's historic dependence on primary exports, in order to diversify the country's export basket, the government has paid particular attention to attracting FDI in manufacturing.[37] However, the government's emphasis on foreign investment can be explained, not only by the changing nature of the global economy, but also by the political economy of transition in South Africa.

While Derrick Cogburn argues that the South African state is characterised by substantial autonomy in its policy making, he does not sufficiently specify in relation to which actors or along what dimensions.[38] Alternatively, Adrian Leftwich identifies South Africa as a 'class-compromise non-developmental democracy'.[39] Given that capitalist development often requires non-consensual measures to mobilise resources to promote capital accumulation, it is in tension with liberal democracy. In South Africa, the negotiated nature of the settlement meant the basic maintenance of the previous economic system, including respect for private property 'rights'. Thus, rather than enforcing redistribution and resource mobilisation internally, 'industrialisation by invitation' – drawing capital from overseas – became an attractive strategy for the South African state.[40]

Given the low rate of private saving in South Africa, fiscal deficit reduction was seen as important by the government in order not to 'crowd out' private sector investment. It also enables corporate tax rates to be cut, thereby offsetting firms' workforce costs of the AIDS/HIV pandemic. In addition to the intense human suffering wrought by the pandemic, the economic costs are substantial, as it is estimated that 3–4 per cent of the workforce will die each year from AIDS after 2003/4, and that this will cost companies in a range between 3.5 and 6.3 per cent of their salary and wage bill in benefits, absenteeism, retraining and other costs.[41]

Neo-liberal reforms have also enabled the South African government to achieve investment grade on its bonds, and thereby reduce its borrowing costs and free up money for other expenditure.[42] Deficit reduction means that the state is less exposed to volatility in financial markets, again giving it some more policy autonomy.

The government's extreme neo-liberalism in trade, fiscal and investment policy has not been reflected in other elements of policy, however. By going beyond orthodox macro-

36 anclist@lists.sn.apc.org, 13 December, 1999.

37 K. Hesse, 'Foreign Direct Investment in South Africa (1994–1999) – Confronting Globalisation', *Development Southern Africa*, 17, 3 (2000), pp. 389–400.

38 D. Cogburn, 'Globalisation and State Autonomy in the Information Age: Telecommunication Restructuring in South Africa', *Journal of International Affairs*, 51, 2 (1998), pp. 583–604.

39 A. Leftwich, *States of Development: on the Primacy of Politics in Development* (Oxford, Polity, 2000).

40 Whereas internal resource mobilisation and attracting foreign capital have in some cases coincided, as in South Korea during its industrialisation drive, under globalisation foreign investors prefer to invest only in countries with 'secure property rights'.

41 J. Simon *et al*., 'Estimating the Impacts of AIDS on Businesses in South Africa' (paper presented to the Boston University African Studies Seminar, 10 April 2001). See also S. Benetar, 'South Africa's Transition in a Globalising World: HIV/AIDS as a Window and a Mirror', *International Affairs*, 77, 2 (2001), pp. 347–375.

42 R. Swarns, 'For South African Whites, Money Has No Color', *New York Times*, 20 April 2000, p. A4. 'Investment grade' implies that these are low risk investments and so the government has to pay lower interest rates than on bonds at greater risk of default ('junk bonds'). The government achieved deficit reduction, while still increasing the rate of public investment by retargetting expenditure away from commercial farming. See Harris and Michie, 'The Effects of Globalisation on Policy Formation' and Lodge, *South African Politics since 1994*. However, while the government has cut back military expenditure it is investing heavily in upgrading military hardware, by buying new submarines for example, which cannot be used in regional peace-keeping operations. See S. Willett, 'In the Wake of War: Military Transitions in Southern Africa' in D. Simon (ed), *South Africa in Southern Africa: Reconfiguring the Region* (Athens, Ohio and London, Ohio University Press and James Currey, 1998). This seemingly illogical expenditure may reflect ideas within the international community of states about what major and middle powers 'should do'. See A. Wendt, *Social Theory of International Politics* (Cambridge and New York, Cambridge University Press, 1999).

economic practice the government may have hoped to gain more 'running room' from foreign investors for its more interventionist labour market and 'supply side' industrial policies.[43]

Given the country's history of brutal labour exploitation under apartheid, the government has opted for 'regulated flexibility' in the labour market – that is, minimum wages, combined with a recognition of a two-tier labour market of permanent protected and temporary less protected workers.[44] While unemployment has increased since 1994, so too have real wages for those in employment.[45] The government's supply-side industrial strategy is meant to raise productivity and thereby allow higher wages to be supported.[46] While there are now moves toward further 'liberalisation' and casualisation, to try to attract more FDI and perhaps reduce firms' AIDS related costs, this more cautious strategy towards the labour market was adopted not to alienate the government's traditional support base in the labour movement.[47]

Thus, the South African government is attempting a compromise between globalisation and social democracy.[48] However, this is being undermined as the state is increasingly characterised by embedded or institutionalised dependence on global forces.[49] This dependence is manifest in 'negative autonomy' from domestic social forces. Negative autonomy is where the state appears autonomous from domestic social forces, but that autonomy is the obverse of dependence on global forces, and therefore reflective of their priorities. Thus, the state liberalises the economy to maintain the 'confidence' of international investors and uses the global market to discipline productive capital and labour, rather than being able to discipline them on its own to achieve developmental goals.[50] In this way, the state uses its power to constrain its power.[51] As the state globalises, the

43 These aim to improve competitiveness through training and other interventions along the production chain. See A. Joffe, D. Kaplan, R. Kaplinsky and D. Lewis, *Improving Manufacturing Performance in South Africa: Report of the Industrial Strategy Project* (Cape Town and Ottawa, University of Cape Town Press and International Development Research Center, 1995) and have been financially supported by the World Bank. See World Bank, 'Staff Appraisal Report: South Africa: Industrial Competitiveness and Job Creation Project', Report No. 16225–SA (photocopied, 1997).

44 G. Standing, J. Sender and J. Weeks, *Restructuring the Labour Market: The South African Challenge*, An ILO Country Review (Geneva, International Labour Office, 1996). Unusually for a developing country, South Africa has pressed for the inclusion of labour rights in international agreements. See R. O'Brien, A. Goetz, J. Scholte and M. Williams, *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements* (Cambridge and New York, Cambridge University Press, 2000). In part, this may be an attempt to offset the impacts of South African wages being higher than in much of Asia and Latin America.

45 Manufacturing wages have risen 46 per cent in real terms since 1995 (calculated from SARB, *Economic and Financial Data* [available at www.reservebank.co.za] and 'Consumer Price Index' [available at www.statssa.gov.za]). However, the rate of growth of real wages for workers in the economy fell from 7.4 per cent in 1998 to 1.9 per cent in 2000 (SARB, *Quarterly Bulletin*, June 1999 and 2001).

46 N. Nattrass, 'High Productivity Now: a Critical Review of South Africa's Growth Strategy', *Transformation: Critical Perspectives on Southern Africa*, 45 (2000), pp. 1–24.

47 J. Hentz, 'The Two Faces of Privatisation: Political and Economic Logics in Transitional South Africa', *The Journal of Modern African Studies*, 38, 2 (2000), pp. 203–223.

48 T. Koeble, *The Global Economy and Democracy in South Africa* (New Jersey, Rutgers University Press, 1998); V. Padayachee, 'South Africa: New Directions in Economic Policy', *Economic and Political Weekly*, 15 April 2000, pp. 1357–1361.

49 For example, the way in which Reserve Bank 'independence' from political oversight and liberalisation of capital controls means that it is very responsive to international capital movements and investors when setting its interest rate policy.

50 Peter Evans has argued that developmental states are characterised by 'embedded autonomy', where there are dense networks of interaction between the state and domestic industrial capital, with the state in the dominant position. See P. B. Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton, New Jersey, Princeton University Press, 1995).

51 The state also tries to encourage social development and offset the impacts of the global market by other elements of its policy regime, such as increased social service provision. See P. Bond and M. Khosa (eds), *An RDP Policy Audit* (Pretoria, HSRC, 1999) for an assessment of how well RDP targets have been met.

success of the government's development strategy increasingly depends on private sector actions and investment.[52]

The Globalisation and Regionalisation of South African Conglomerates

The large-scale capital requirements for deep-level mining gave rise to conglomerates in South Africa.[53] In the wake of the Sharpeville massacre of 1960 and subsequent capital flight, overseas investment opportunities were restricted for South African conglomerates by domestic exchange controls, and later by international sanctions.[54] Consequently, South African conglomerates diversified further from mining into manufacturing and financial and other services. The biggest of these conglomerates, Anglo-American Corporation, is the world's largest natural resource company, with an annual turnover of over $20 billion. In the mid-1990s, it had 100 subsidiaries in South Africa, and manufacturing accounts for about 30 per cent of its revenues.[55]

With the decline of the gold price, and the onset of economic recession in the 1980s, conglomerates found that geographical restrictions on their field of accumulation depressed their profits. Some of the conglomerates, such as Anglo-American, had been able partially to circumvent the spatial constraints of apartheid by illegal capital flight and by setting up offshore companies to undertake investment overseas.[56] However, given stark levels of income inequality in South Africa, these businesses had outgrown the domestic market. Whereas, by the 1990s, US corporations earned 30 per cent of their profits overseas, the equivalent figure for South Africa companies was only 7 per cent.[57] Consequently, large-scale Anglophone and Afrikaner capital pressed for a negotiated settlement with the ANC, so that they could globalise their activities.[58] The other way to alleviate the problem of over-accumulation would have been a development strategy that focused on widening and deepening domestic markets, but as this would have required substantial asset redistribution to be effective, the conglomerates preferred globalisation, with little questioning of private property.

Some of the conglomerates, such as Anglo-American, with operations in all six continents, were already global companies. However, with the liberalisation of the economy and the end of sanctions, these conglomerates lost little time in further globalising their operations. At first this primarily took the form of regionalisation.

From 1991 to 1995 South African firms increased their total investment in Sub-Saharan Africa fivefold to account for 25 per cent of the total.[59] From 1994–1998, Africa received

52 Although the role of embedded institutions is also critically important. See A. Amin, and N. Thrift (eds), *Globalisation, Institutions and Regional Development in Western Europe* (Oxford and New York, Oxford University Press, 1994); J. Rogers Hollingsworth and R. Boyer (eds), *Contemporary Capitalism: The Embeddedness of Institutions* (Cambridge and New York, Cambridge University Press, 1997); M. Storper, *The Regional World: Territorial Development in a Global Economy* (London and New York, Guildford, 1997).

53 B. Levy, *South Africa: The Business Environment for Industrial and Small and Medium Enterprises*, Informal Discussion Papers on Aspects of the Economy of South Africa (Washington, DC, World Bank, 1996).

54 Pillay, 'South Africa's Monetary and Foreign Exchange Rate Policy'.

55 'Not a Golden Titan, More a Pig in a Poke', *The Economist*, 7 October 1995, p. 67: Wrights Investor Service (available at www.wisi.com).

56 J. Summa, 'Anglo-American Corporation: A Pillar of Apartheid,' *Multinational Monitor*, 9, no. 9 (1988) (available at www.essential.org/monitor/hyper/issues/1988/09/mm0988_08.html); Fine and Rustomjee, *The Political Economy of South Africa*.

57 J. Nitzan, J. and S. Bichler, 'Going Global: Differential Accumulation and the Great U–turn in South Africa and Israel', *Review of Radical Political Economics*, 33 (2001), pp. 21–55.

58 D. O'Meara, *Forty Lost Years: the Apartheid State and the Politics of the National Party, 1948–1994* (Randburg, South Africa and Athens, Ohio, Ravan and Ohio University Press, 1996).

59 International Monetary Fund, *International Financial Statistics* (Washington, DC, IMF, 1995) and L. Loxton, 'Africa Takes its Place on the Mining Map', *Mail and Guardian*, 9 February 1996, cited in W. Reno, *Warlord Politics and African States* (Boulder, Lynne Rienner, 1998).

42 per cent of the outward investments by South African companies, while the European Union received 18 per cent.[60] Whereas many mines in South Africa are close to being worked out, this is not the case for new acquisitions in the rest of Africa. As one South African businessman explained in reference to Southern Africa: 'South African firms want to conquer it before anyone else does and before they themselves move into more competitive markets'.[61] Thus, South African companies used their locational advantages in Africa to achieve economies of scale, and boost profits: using the region as a springboard to globalise.[62]

Conglomerate regionalisation strategies have also dovetailed with other aspects of globalisation, particularly SAPs. Currency devaluations, as part of SAPs, serve to reduce labour costs for the conglomerates in Africa, and privatisation opens up new investment opportunities. For example, as one of the conditions of its structural adjustment programme, Zambia was forced to sell its state-owned copper mines to Anglo-American for only $90 million, half the original negotiated price.[63] In Southern Africa, many such assets were previously owned by South African conglomerates before they were nationalised.[64] In this way, former divisions of power are being reinscribed.

The globalisation strategies of South African conglomerates have gone further than those of other transnationals worldwide. Despite an 'improvement of the business climate' in South Africa, with liberalisation many of the main business groups, such as Anglo-American, Old Mutual, SA Breweries, Billiton, and Dimension Data, have shifted their primary stock market listings and headquarters to London in recent years. They did this to access cheaper capital and to facilitate their foreign expansion.[65] Offshore listing was meant to improve their global competitiveness and facilitate increased investment in the South Africa economy. By 1998, the five largest conglomerates controlled 'only' 55 per cent of the shares on the JSE.[66]

By moving their headquarters to London, and financially delinking from South Africa, these companies are able to unlock 'shareholder value'.[67] While the stock market capitalisation of many companies in advanced capitalist countries, such as the US, are above their net asset values on the basis of projected future profits, Anglo's market capitalisation was 22 per cent below its net asset value in 1995.[68] By moving to London, these companies' assets became denominated in more secure hard currency, which increased asset values and consequently share prices. Additionally, those conglomerates that became part of the Financial Times Stock Exchange (FTSE) 100 index, received an additional boost to their

60 Hesse, 'Foreign Direct Investment in South Africa'. In part this is because of higher profit margins in Africa in core operations. For example, whereas South African Breweries was involved in many industries under apartheid, including clothing production, its brewing business in South Africa has very high yields or profit margins of around 25 per cent. See J. Lamont, 'SAB hopes European Alliance will Boost African Fortunes', *Financial Times*, 20 July 2001, p. 7. Whereas TNCs typically require higher yields to invest in Africa, to offset political and economic risks, the managing director of SAB feels that the company has the operating skills to overcome poor infrastructure and political instability in the continent.

61 Quoted in 'Investing in Africa: a New Scramble', *The Economist*, 12 August, 1995, p. 17 in Reno, *Warlord Politics*, p. 56.

62 D. Simon, 'Trading Spaces: Imagining and Positioning the "New" South Africa within the Regional and Global Economy', *International Affairs*, 77, 2 (2001), pp. 377–405.

63 'Zambia and the IMF will Discuss New Economic Strategy', *African Eye News Service*, 23 September 1999 (available at web7.infotrac.galegroup.com).

64 Simon, 'Trading Spaces'.

65 T. Van Rensburg, 'A Critical Assessment of Primary Listings of South African Companies on Offshore Stock Exchanges' (paper presented to the TIPS 1999 Annual Forum at Glenburn Lodge, Muldersdrift, 19–22 September, 1999).

66 Hesse, 'Foreign Direct Investment in South Africa'.

67 'London – Home of the Giants', *Mining Magazine*, November, 1998 (available at web7.infotrac.galegroup.com).

68 'Not a Golden Titan, More a Pig in a Poke'.

share prices as tracker funds, which mirror movements in such indices, are required to invest in such companies.[69] While Anglo's stock price had been erratic, based on price movements in commodity markets, by early 2001 the value of its shares was 37 per cent above its asset value.[70]

There are also complementarities between different elements of conglomerate globalisation. In addition to demutualising and listing in London, an increasing proportion of Old Mutual's (one of the largest financial services companies) operations are now overseas, and consequently its share price has become at least partially delinked from the South African market.[71] The core element of Old Mutual's business is life assurance, and as the prevalence[72] of HIV/AIDS rises in South Africa, it is under pressure from international financial capital to diversify geographically, by buying banks in the US for example.[73] The direct workforce costs associated with the HIV/AIDS pandemic also undoubtedly encourage corporate delinking,[74] as does the fact that it is one of the few countries in the world where union density is increasing and wages are rising.[75]

The Political Economy of Conglomerate Restructuring

GEAR assumed that FDI would act as a developmental *deus ex machina*, and register a ninefold increase to enable its employment targets to be met.[76] But South African companies invested $1.6 billion more abroad than came into the country between 1994 and 1999,[77] thereby deepening dependence on portfolio capital. Thus, the policy would appear to be self-defeating. However, the strategy of conglomerate globalisation also serves political purposes. It was facilitated by élite pacting, with Anglo-American taking prominent opponents of apartheid such as Mamphela Ramphele and Cyril Ramaphosa on to its board. Also, after coming to power, in order to redress the legacy of racial exclusion, and to consolidate its own power base, the ANC sought the development of a new indigenous entrepreneurial class through 'black economic empowerment'. In order to achieve this quickly, there was a redistribution of assets from white to emergent black capital through 'unbundling' – that is, white dominated conglomerates selling off 'non-core' areas of their business to black economic empowerment companies, and also to foreign transnationals. They were keen to unbundle because of falling rates of profit and the desire to pre-empt domestic competition actions;[78] gaining political capital in the process. From 1995 to 1998, the proportion of shares on the JSE owned by black economic empowerment companies, and purchased using debt, rose, by some estimates, from 0.5 per cent to almost

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69 'Old Mutual Hopes to Shine on the World Stage', *Mail and Guardian*, 29 January 1999 (available at web7.infotrac.galegroup.com).

70 411 Stocks (available at 411stocks.stockselector.com).

71 'Old Mutual Loses Made in South Africa Tag', *Africa News Service*, 31 January 2001 (available at web7.infotrac.galegroup.com).

72 Prevalence refers to the proportion of the population infected. Incidence is the new infection rate in a given year.

73 In HSBC Bank's analysis sterling investors should apply a 20 per cent risk premium to Old Mutual shares in part because of 'an increased exposure to the Aids risk as sales of protection products increases' (quoted in 'Old Mutual – the New Kid on the Block', *Zimbabwe Standard*, 11 July, 1999 [available at web7.infotrac.galegroup.com]).

74 Whereas the migratory labour system served the needs of mining capital in the past, it has now facilitated the spread of HIV (D. Webb, 'The Sexual and Economic Politics of (Re)Integration: HIV/AIDS and the Question of Stability in Southern Africa', in Simon, *South Africa in Southern Africa*).

75 R. Naidoo, 'The Impact of Socio-economic Restructuring on the Working Class and the Challenges Facing Them', paper presented at the Harold Wolpe Forum, 17 August 2000 (available at www.uct.za/misc/wolpe/naidoo.htm).

76 Harris and Michie, 'The Effects of Globalisation on Policy Formation in South Africa'.

77 'Jobless and Joyless', *The Economist*: A Survey of South Africa, 24 February 2001, p. 11.

78 Nitzan and Bichler, 'Going Global'.

20 per cent.[79] Conglomerates were allowed to use the proceeds from 'unbundling' to invest overseas.

At one level, there are similarities between this process and the creation of a large-scale Afrikaner business class, which took place after the Nationalist government came to power in the 1940s.[80] However, the direct beneficiaries of unbundling were very few, numbering roughly 200 individuals.[81] Also, in a globalising political economy, one of the effects of unbundling was to transfer some of the risks associated with South Africa's semi-peripheral location (as expressed through its currency)[82] from a white conglomerate to emergent black capital, and to labour.

In its first year as a London listed company (1999–2000) Anglo-American posted a 24 per cent increase in its profits.[83] This was largely as a result of the appreciation of the dollar, the currency in which commodities are traded, versus the Rand, the currency in which the bulk of its operating costs are paid. On the other hand, 'black economic empowerment' companies had had to borrow heavily to pay for their unbundled assets.[84] In the wake of the East Asian crisis, and given that the economy had already been substantially liberalised to attract international investment, the Reserve Bank pushed interest rates to 25 per cent to try to keep portfolio capital in the country. This effectively transferred income from productive capital, consumers and government to financial investors. Given that 'black chip' companies were so highly leveraged, most of them experienced severe financial difficulty. Meanwhile, many of the conglomerates had substantial cash reserves, and had transferred the proceeds from unbundling overseas. In some cases they bought back assets that they had previously sold, at heavily discounted prices. Anglo-American had sold Johannesburg Consolidated Investments (JCI) at R54 per share, but after the dramatic fall in the gold price, Anglo bought back JCI's 'best assets': two gold mines. Consequently, the 'only smile belong(ed) to Anglo, which … made a handsome profit [R140m] on a sale it had originally declared would be a magnanimous gesture towards wealth sharing'.[85] By early 1998 JCI shares were trading at R21 each.[86]

Afrikaner businessmen with pre-existing capital were less exposed to the consequences of rising interest rates. Consequently, their ownership share of the JSE rose from 24 to 36 per cent from 1996–1999 as large-scale Anglophone capital divested.[87] Thus, paradoxically, one of the objectives of apartheid – raising Afrikaners to a position of economic parity with English-speaking whites – is being furthered by its demise.[88]

Changes in share ownership coincide with other forms of socio-spatial restructuring.

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79 'Empowerment Deal Slowdown', *Sunday Times Business Times*, 18 October 1998, cited in Lodge, *South African Politics since 1994*.

80 See B. Magubane, *The Political Economy of Race and Class in South Africa* (New York, Monthly Review, 1979) and D. O'Meara, *Volkskapitalisme: Class, Capital and Ideology in the Development of Afrikaner Nationalism* (Cambridge, Cambridge University Press, 1983).

81 Lodge, *South African Politics since 1994*.

82 Ultimately a currency is a claim on production of goods and services produced within a national territory, and exchange rates reflect that over the long term.

83 'Diamond Sales Earns Anglo $1.55 Billion Profit', *Times of Zambia*, 28 March 2000 (available at web7.infotrac.galegroup.com).

84 Kunnie, *Is Apartheid Really Dead?*

85 'Cautionary Tale of Black Business: South Africa', *The Economist*, 10 January 1998, p. 38; G. Arnold, *The New South Africa* (New York, St. Martin's Press, 2000).

86 The share of the JSE owned by black economic empowerment companies fell, by some estimates, from 6 per cent in 1998 to 1.5 per cent in 2000 ('Inequality Changes Colour', *The Economist*: A Survey of South Africa, 24 February 2001, p. 10). Politically, Anglo could not let JCI fail, and so arranged a share swap with Lonrho shares to keep it afloat ('Deft Juggling Gets Anglo Off the Hook', *Weekly Mail and Guardian*, 28 November 1997 [available at www.sn.apc.org/wmail/issues]).

87 Swarns, 'For South African Whites, Money Has No Color'.

88 Fine and Davis cautioned a decade ago against such an outcome. See R. Fine with D. Davis, *Beyond Apartheid: Labour and Liberation in South* Africa (London, Pluto Press, 1990), pp. 294–295.

Nicky Oppenheimer argued that with its move to London, Anglo-American has now taken its 'rightful place' among the world's top corporations. On the other hand, others see it as a form of recolonisation as London is re-established as the dominant command and control centre for the South African economy.[89] Thus, aspects of both South Africa's colonial and apartheid history are being reinscribed or reinforced by current restructuring.[90]

While South African companies pressed to be able to globalise their activities, they are now also being shaped by globalisation, through direct competition with other TNCs, and through competition for financial capital. In 1995, the chairman of Anglo-American argued that a core operation was one that 'earns a better rate of return than something else you could do'.[91] However, by 1998 the group stated that its core strategy would be 'to develop as a global operating mining and natural resource company, with related industrial activities'.[92] This change in orientation is because international financial capital wants the conglomerates to become more tightly focused 'investment vehicles' – to focus on their core operations, diversify geographically, and to abolish the pyramid structure of cross-holdings between companies. In Anglo-American's case, this attempt 'to create a structure that meets the needs and wishes of today's investors', led to the conglomerate being split up into separate business units with different managements.[93] The new chairman of Anglo-American has also promised to dispose of roughly $4 billion of industrial and financial assets over the course of a year, and has already pulled the company out of sugar production in Zimbabwe, for example.[94] There have also been dramatic reductions in cross-holdings, between De Beers and Anglo-American for example, with De Beers becoming a private company in 2001.[95]

In addition to unbundling, there has also been a process of what has been called 'rebundling', as conglomerates merge and acquire new assets in core sectors to try to meet global competition, with Billiton merging with the Australian mining house BHP for example.[96] 'South African' conglomerates are also further inter-twining with international capital to overcome their relative technological backwardness. Sanlam has outsourced all of its information technology infrastructure to Daimler-Chrysler, for example,[97] and Old Mutual, in partnership with Nokia, IBM and Dimension Data, became the first unit trust company in the world to offer online trading via cell phones, in 2000.[98] Thus, as globalisation from the 'outside in' and 'inside out' intertwine with one another, South African conglomerates and state élites are being absorbed into a broader transnational capitalist class project where global financial capital, given its greater fungibility and mobility, and hence structural power, sets the agenda.[99]

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89 R. W. Johnson, 'Colonialism Returns to South Africa', *New Statesman*, 13 November 1998, p. 21.

90 A. Lester, E. Nel and T. Binns, 'South Africa's Current Transition in Temporal and Spatial Context', *Antipode*, 32, 2 (2000), pp. 135–151.

91 Quoted in 'Not a Golden Titan, More a Pig in a Poke'. At this point the company's strategic focus was more internal.

92 Quoted in 'London – Home of the Giants'.

93 Thompson quoted in 'Deft Juggling Gets Anglo off the Hook'.

94 'The Inside Outsider', *The Economist*, 22 July 2000, p. 65; 'Anglo American Corp Pulls Out of Sugar in Zimbabwe', *PanAfrican News Agency*, 14 July 2000 (available at web7.infotrac.galegroup.com).

95 A. Cowell and R. Swarns, '$17.6 Billion Deal to Make De Beers Private Company,' *New York Times*, 16 February 2001, p. W1.

96 G. Field, 'South Africa's Next Revolution', *Worldlink*, January/February 1998 (available at http://backissues.worldlink.co.uk): *The Economist*, 24 March 2001.

97 'Sanlam Outsources IT infrastructure' (available at www.sanlam.co.za).

98 ITWeb, 'Old Mutual Unit Trusts Go Wireless in World First' (available at web7.infotrac.galegroup.com).

99 J. Glassman, 'State Power Beyond the "Territorial Trap": the Internationalisation of the State', *Political Geography*, 18 (1999), pp. 669–696; L. Sklair, *The Transnational Capitalist Class* (London, Blackwell, 2001).

Globalisation and Economic Restructuring in South Africa[100]

Fine and Rustomjee have argued that South Africa's political economy has been dominated by a 'minerals-energy complex' (MEC), which has blocked economic integration between sectors and the diversification of the economy beyond a focus on mining, mineral processing and the production of energy. Others have disputed this, arguing that economic integration and diversification progressed substantially beyond the MEC.[101] Irrespective of which of these positions was correct, some clear trends on the nature of restructuring are emerging now that policy increasingly responds to global capital,[102] including South African conglomerates, rather than a domestic MEC or manufacturing.[103]

While the government's emphasis on FDI can be read as a desire to recreate aspects of the 'economic boom' years of apartheid, it misreads the current conjuncture. In the 1960s, transnational corporations engaged in 'tariff jumping' investment in South Africa to service the market provided by affluent 'whites'. High rates of profit could be achieved based on the low wages of 'black' workers.[104] However, with trade liberalisation, underdevelopment of skills in the workforce, higher wage costs than in most of Asia and Latin America, and the relative insignificance of the South African market, there is little incentive to locate new investments there, as it can be served from other, more cost effective locations.[105] Foreign investment has also been discouraged in the past by the domestic ownership structure, as conglomerates have monopolised markets.

While there have been some successes in attracting new, or expanded, FDI in export-oriented industries – for example all three series BMWs and C class Mercedes are now assembled in South Africa[106] – overall levels of new foreign investment have been low. Much FDI has also taken the form of acquisitions that do not create substantial numbers of new jobs.[107] Furthermore, despite attempts to attract FDI through infrastructural investment in Spatial Development Initiatives (SDIs),[108] inflows started to fall in 1998 as many state enterprises, such as the fixed line telecommunications monopoly, Telkom, were already partially privatised.[109]

There have also been other costs in the attraction of FDI. In the car industry, a study by Nicolau[110] found that vehicle assembly has benefited from trade liberalisation, whereas domestic component manufacturers have been subject to competitive displacement. Final

100 Given that agriculture accounts for such a small proportion of the South African economy; around 4 per cent in the 1990s, it is not discussed here. See C. Mather and A. Adelzadeh, *Macroeconomic Strategies, Agriculture and Rural Poverty in South Africa*, NIEP Occasional Paper Series No. 10 (Johannesburg, NIEP, 1997) for a discussion.

101 T. Bell and G. Farrell, 'The Minerals–Energy Complex and South African Industrialisation', *Development Southern Africa*, 14, 4 (1997), pp. 591–613.

102 This does not imply that this capital is everywhere, but that its field of action is global. See B. Jessop, 'The Crisis of the National Spatio-Temporal Fix and the Tendential Ecological Dominance of Globalising Capital', *International Journal of Urban and Regional Research*, 24, 2 (2000), pp. 323–360.

103 Fine has argued that the structure and dynamic of the MEC are currently evolving as it is now 'heavily dependent on the globalising strategies of South African conglomerates'. See B. Fine, 'Transition and the Political Economy of South Africa', forthcoming *African Rural and Urban Studies* (2001), p. 7.

104 A. Seidman and N. Seidman, *South Africa and U.S. Multinational Corporations* (Dar es Salaam, Tanzania Publishing House, 1977).

105 K. Mbekeani, *Foreign Direct Investment and Economic Growth*, NIEP Occasional Paper Series No. 11 (Johannesburg, NIEP, 1997); Bond, *Elite Transition*.

106 'Jobless and Joyless'.

107 Fine, *Industrial Policy and South Africa*. For example, Ford buying Samcor back from Anglo-American ('Ford Doubles its Stake', *Business Day*, 26 January 2000 [available at web7.infotrac.galegroup.com]).

108 See S. Gelb and C. Manning (eds), 'Spatial Development Initiatives: Unlocking Economic Potential', Special Issue of *Development Southern Africa*, 15, 5 (1998).

109 International Labour Office, *South Africa*, Studies on the Social Dimensions of Globalisation (Geneva, ILO, 1999).

110 K. Nicolau, *An Evaluation of the* MIDP [Motor Industry Development Program] *Report No. 3625* (Johannesburg, NIEP, 1998).

assembly for export gained from lower tariffs on inputs and the depreciation of the Rand, which have made exports more competitive.[111] However, Nicolau argues that 'this is a dangerous predicament to be in and will eventually lead to the total eradication of the [domestic] South African motor vehicle industry'.[112] In other cases, previous 'tariff jumping' investments, such as a Philips television manufacturing plant, have closed as a result of trade liberalisation. Production of televisions fell 19 per cent from 1995 to 1998.[113] Local firms also find it difficult to meet competition from foreign investors with tax holidays. For example, in Natal a new Chinese investment in refrigerator manufacturing had a tax holiday, whereas the local company, Defy, did not and was consequently downsizing in 1999.[114]

South Africa spends 0.7 per cent of its GDP on research and development, a higher proportion than many developed countries, and there is evidence of innovation amongst South African firms.[115] Surveys have found some South African companies to be operating at the frontiers of 'international best practice',[116] and the country has some strengths in non-commodity based manufactured exports. For example, because of very low energy costs and the competitive production of energy-intensive aluminium that allows, the 'aluminium cluster' of alloy wheels, catalytic converters and tank-tainers are growing strongly.[117] South Africa is also the world's largest exporter of leather car seats, related to BMW's investment. However, several studies have shown the deindustrialising impacts of globalisation on different sub-sectors of industry.[118] A number of industries, such as bicycle and ship production, have been completely eliminated by foreign competition.[119]

Some areas of manufacturing, particularly mineral processing, continue to attract substantial conglomerate investment.[120] For example, conglomerates, catalysed by state capital in the form of the Industrial Development Corporation, are willing to invest in new 'mega-projects', such as steel and aluminium processing.[121] Consequently, the South

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111 Z. R. Coetzee, K. Gwaradam, W. Naudé and J. Swanepoel, 'Currency Depreciation, Trade Liberalisation and Economic Development', *South African Journal of Economics*, 65, 2 (1997), pp. 165–191.

112 *Ibid*, p. 52.

113 Calculated from Statistics South Africa, *Statistical Release P3051.4: Manufacturing Statistics*, April 1997 and March 1999 (SSA, Pretoria).

114 Interview, National Union of Metalworkers of South Africa negotiator, Johannesburg, 20 June 1999. In response to concerns over the impacts on domestic business, the differential tax regime for new investors was abolished as of 1998. See L. Boyd, M. Spicer and G. Keeton, 'Economic Scenarios for South Africa: a Business Perspective', *Daedalus* (Winter 2001), pp. 71–98.

115 Foundation for Research and Development, *SA Science and Technology Indicators* (Pretoria, FRD, 1996): Foundation for Research and Development and Industrial Strategy Project, *Innovation Patterns in South African Manufacturing Firms*, report on the survey of innovative activity in South African manufacturing firms (Pretoria and Cape Town, FRD and ISP, 1997).

116 R. Schoenberger, *World Class Manufacturing: the Next Decade* (New York, Free Press, 1996).

117 Tank-tainers are aluminium road tankers with a 'return load capability (i.e. fuel out and general freight in)'. See A. Moore, 'Aluminium Industry Comes of Age', *South Africa: the Journal of Trade, Industry and Investment* (1st quarter, 1999), p. 33. Interview with DTI official, Pretoria, 30 June 1999, and DTI official in conversation, Midrand, 15 July 1999.

118 R. Kaplinsky and J. Barnes, 'Globalisation and the Death of the Local Firm? The Automobile Components Sector in South Africa', *Regional Studies*, 34, 9 (2000), pp. 797–812; R. Kaplinsky and M. Morris, 'Trade Policy Reform and the Competitive Response in Kwazulu Natal Province, South Africa', *World Development*, 27, 4 (1999), pp. 777–837; David Kaplan and Raphael Kaplinsky, 'Trade and Industrial Policy on an Uneven Playing Field: the Case of the Deciduous Fruit Canning Industry in South Africa', *World Development*, 27, 10 (1999), pp. 1781–1801.

119 Interview with Industrial Development Corporation manager, Sandton, 15 July 1999 and IDC and DTI, *Sectoral Prospects*.

120 J. Thompson, Chairman of Anglo-American Corporation, 'South Africa: a reasoned case for optimism', speech to the Instituto de Empresa, Madrid, 16 November 2000 (available at www.barney.co.za/news/nov00/optimism17.htm).

121 Fine and Rustomjee, *The Political Economy of South Africa*: A. Fitschen, 'The Impact of the Saldanha Steel Project on the West Coast Economy', in Gelb and Manning, 'Spatial Development Initiatives', pp. 771–786;

African case is not one of straight deindustrialisation, as in much of the rest of Africa, as industrial output continues to expand slowly in most years.[122] However, 'reintegration into the world market is … reinforc(ing) dependence on resource intensive industries',[123] with negative implications for sustainability.

Under GEAR, manufactured export volumes have been erratic, rising and falling depending on the value of the currency and global economic conditions,[124] but 'most of the sub-sectors in which net exports have been improving have experienced decreasing production'.[125] The capital goods and engineering industries, which have historically been critically important in the structural diversification of industrialising economies, have been very hard hit by trade liberalisation. In the metal and engineering industry, employment declined by 9.2 per cent from 1994 to 1999.[126] Thus, rather than the touted labour-absorptive growth pattern emerging, there is evidence of increased capital-intensity in investment, although this represents a deepening of a pre-existing trend.[127]

A recent IMF study found substantial increases in total factor productivity as the capital intensity of investment has increased, and employment has contracted.[128] Thus, although the relationship is denied by the IMF, the current pattern of growth could be described as 'job destroying'. Given the orthodoxy of macro-economic management, a World Bank funded report attributes massive job losses in South Africa to 'the hassle factor' associated with 'excessive' labour market regulation and crime, rather than situating them as the results of globalisation and conglomerate restructuring.[129] The substitution of capital for labour is also undoubtedly related to the impacts of HIV/AIDS.[130]

In contrast to the 1980s, South Africa continues to achieve positive economic growth, averaging 1.5 per cent p.a. from 1996 to 2000.[131] This enables the government to reduce corporate tax rates, while maintaining its tax take from them, with Exchequer receipts rising from R146 billion in 1996/7 to R160 billion in 2000/1 in real terms.[132] However, GEAR is implicated in a substantial slowing of economic growth and massive job losses, as very

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Footnote 121 *continued*
Industrial Development Corporation, *The Richards Bay Spatial Development Initiative: Industrial Appraisal* (Sandton, IDC, 1998). Two of these projects, by themselves, were projected to absorb over half of total manufacturing investment between 1993 and 1995. See L. Moritz, *Trade and Industrial Policies in the New South Africa*, research report 97 (Uppsala, Nordiska Afrikainstitutet, 1994) cited in B. Fine, 'Industrial and Energy Policy: a Partial Review', in I. Elbadawi and T. Hartzenberg (eds) *Development Issues in Southern Africa* (New York, St. Martin's Press, 2000), pp. 110–142.

122 H. Stein, 'Deindustrialisation, Adjustment, the World Bank and the IMF in Africa', *World Development*, 20, 1 (1992), pp. 83–95. Manufacturing output declined in 1999, however. See Statistics South Africa, *Statistical Release P0441: Gross Domestic Product* (February 2001) [available at www.statssa.gov.za].

123 H. Nordas, 'South African Manufacturing Industries – Catching Up or Falling Behind?', *Journal of Development Studies*, 32, 5 (1996), p. 715.

124 South African Reserve Bank, *Quarterly Bulletin* (Pretoria, SARB, 1998), cited in A. Habib and V. Padayachee, 'Economic Policy and Power Relations in South Africa's Transition to Democracy', *World Development*, 28, 2 (2000), pp. 245–263 and SARB, *Quarterly Bulletin*, (March, 2001).

125 S. Roberts, *A Preliminary Analysis of the Impact of Trade Liberalisation on Manufacturing or 'Will Trade Liberalisation Generate Export-led Growth in South Africa?'*, TIPS Working Paper No. 8 (February 1998), p. 46.

126 National Union of Metalworkers of South Africa, unpublished data, 1999.

127 National Productivity Institute, *Productivity Statistics* (Pretoria, NPI, 1998); R. Kaplinsky, 'Capital Intensity in South African Manufacturing and Unemployment, 1972–90', *World Development*, 23, 2 (1995), pp. 179–192.

128 G. Jonsson and A. Subramanian, *Dynamic Gains from Trade: Evidence from South Africa*, IMF Working Paper (Washington D.C., IMF, 2000), cited in A. Subramanian with Enrique Gelbard *et al.*, *Trade and Trade Policies in Eastern and Southern Africa*, IMF Occasional Paper 196 (Washington DC, IMF, 2000).

129 Greater Johannesburg Metropolitan Council – World Bank Partnership, *Constraints to Growth and Employment in South Africa* (2000) (available at www.tips.org.za/lfs99).

130 Simon *et al.*, 'Estimating the Impacts'.

131 Calculated from SARB, *Quarterly Bulletin*, various.

132 Calculated in constant 1997 Rand from SARB, *Quarterly Bulletin*, September 1997 and June 2001 (available at www.resbank.co.za) and Statistics South Africa, 'Consumer Prices Index' (available at www.statssa.gov.za).

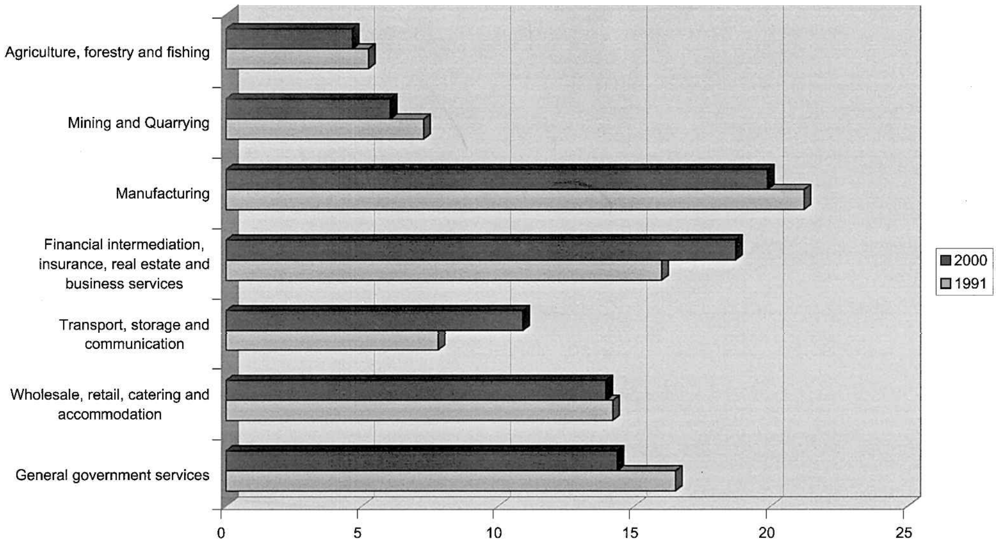

Figure 1. Percentage contribution to GDP. Calculated from SARB, *Quarterly Bulletin*, June 1999 and SSA, *Statistical Release PO441*, February 2001 in constant 1995 Rand.

tight monetary and fiscal policies, combined with trade liberalisation have been deflationary.[133] High real interest rates and job losses increase government expenditure and decrease the tax take from workers, making the state more responsive to capital.

The South African government has identified high technology as a strategic sector of the economy as it attempts to move towards an 'information society'.[134] South Africa has an advanced telecommunication infrastructure, and there have been examples of successful 'high-tech' start-up companies, such as Dimension Data and Thawte, which was sold in 1999 for $575 million.[135] A major new private sector company has also emerged in the form of Telkom, the former state-owned monopoly, which has been partly sold to US and Malaysian investors, and is due to have a stock market floatation shortly.[136] In its policy programmes and focus on high technology, the South African state may be trying to emulate the economic success of high-tech export platforms, such as the Republic of Ireland.[137] However, this would appear to be dependent on the attraction of massive foreign investment, which has not materialised and is unlikely to materialise.

Mirroring trends in the rest of Africa, the financial sector has grown disproportionately under economic liberalisation, as new investment opportunities are opened up, in currency

133 J. Weeks, 'Stuck in low GEAR? Macroeconomic Policy in South Africa, 1996–1998', *Cambridge Journal of Economics*, 23 (1999), pp. 795–811.

134 T. Van der Walt, and W. Blankley, 'South African Strategies for the Promotion of Research and Technology Innovation: Towards Effective Collaboration and New Business Development', *Industry and Higher Education* (February 1999), pp. 15–24; van Audenhove, 'South Africa's Information Society Policy'.

135 S. W. Wangwe and F. Musonda, 'The Impact of Globalisation on Africa', in A. S. Bhalla (ed), *Globalisation, Growth and Marginalisation* (New York, St. Martin's Press, 1998), pp. 149–167; 'Over the Rainbow', *The Economist*; A Survey of South Africa, 24 February, 2001, pp. 14–15. DiData was started in the 1980s in response to demand from the South African security state apparatus. These companies have undoubtedly been affected by the recent global recession in information technology industries. The attempt to create an information society included reducing tariffs on telecommunication equipment (a key hard industry) to zero, far below the 20 per cent required by the WTO. See Marais, *Limits to Change*.

136 Telkom, 'Company Background' (available at www.telkom.co.za). Thirty per cent of the shares will initially be sold to black South Africans. See 'Minefield', *The Economist*, 17 (March 2001), pp. 61–62.

137 President Mbeki has written of the Republic of Ireland's 'outstanding economic success', but South Africa's location under globalisation is very different. See T. Mbeki, 'Clamour over Zimbabwe reveals continuing racial prejudice in SA', *ANC Today*, 23–29 (March 2001) [available at www.anc.org.az/ancdocs/anctoday]).

speculation for example, to the detriment of production[138] (Figure 1). Consequently, there are few examples of new hard industries that would create substantial numbers of jobs, and rebalance the income distribution structure.[139] The (post)apartheid economy is experiencing deepening sectoral disarticulation, or structural dualism, as the conglomerates continue to invest in some major mineral processing projects, but divest from other sub-sectors, and the information economy is confined to the élite.

There are two sets of institutional types that can foster endogenous capitalist industrialisation: diversified business groups, which have synergies across divisions, and regional industrial complexes based on high levels of trust and cooperation between small firms.[140] To date, South African industrialisation has been dominated by large business groups, but these are now specialising and selectively delinking. This in turn has knock-on effects. Given rising unemployment in South Africa and the importance of the wage goods market to small business, since 1994 'a substantial number of small, micro and medium enterprises (SMMEs) have not been able to grow' and 'the growth that does take place in the SMMEs is, to a large extent, jobless'.[141]

Within government, some recognise that the results of the supply-side industrial strategy have 'not been that good unless you do something fundamentally different'.[142] This concern is shared by the private sector and trade unions.[143] In the wake of the East Asian crisis, even the major conglomerates are concerned about over-reliance on speculative short-term capital inflows.[144]

Globalisation in South Africa has resulted in a rescaling of the forces driving uneven (economic) development from the national state/market complex to the global market. Neo-liberal globalisation is continuing to widen the development gap between South Africa and the OECD – globalising economic apartheid – and resulting in repeated currency crises. It is also creating new patterns of uneven development within South Africa resulting in a 'hollowing out' of South Africa's traditional industrial heartland in Gauteng and a movement of manufacturing towards the coast, with ISCOR closing its Pretoria steelworks, for example, and investing in a new one at Saldanha Bay.[145]

In terms of the social impacts of restructuring, despite progressive government initiatives such as participatory budgeting with a gender focus, women tend to be disproportionately hurt by economic liberalisation as the costs of adjustment are passed 'down the line'.[146] In South African manufacturing, women's employment is more heavily concentrated in labour-intensive sectors, such as clothing, which have been most adversely

138 P. Carmody, *Tearing the Social Fabric: Neo-liberalism, Deindustrialisation and the Crisis of Governance in Zimbabwe* (Portsmouth, New Hampshire, Heinemann, 2001).

139 E. Fingleton, *In Praise of Hard Industries: Why Manufacturing not the New Economy is the Key to Future Prosperity* (London, Orion Business Books, 1999).

140 A. Amsden, *Asia's Next Giant: South Korea and Late Industrialisation* (Oxford and New York, Oxford University Press, 1989); Storper, *The Regional World*.

141 A. Kesper quoted in H. Barrell, 'SA's Economy Geared for Growth', *Daily Mail and Guardian*, 23 October 2000 (available at http://www.mg.co.za/mg/za/archive/2000oct/features/23oct–economy.html).

142 Interview with DTI official, Pretoria, 30 June 1999. Bell had predicted this. See T. Bell, 'Improving Manufacturing Performance in South Africa: a Contrary View', *Transformation: Critical Perspectives on Southern Africa*, 28 (1995), pp. 1–34.

143 Interview with Steel and Engineering Industrial Federation Association economist, Johannesburg, 9 July 1999; Joint Employer/Trade Union Initiative, 'Draft letter for consideration to Minister of Trade and Industry', 12 October 1999 (photocopied).

144 Thompson, 'South Africa: a reasoned case for optimism'.

145 Interview with DTI official, Pretoria, 30 June 1999. A. Fitschen, 'The Impact of the Saldanha Steel Project on the West Coast Economy'.

146 D. Budlender, 'The Political Economy of Women's Budgets in the South', *World Development*, 28, 7 (2000), pp. 1365–1378; G. Thomas-Emeagwali (ed), *Women Pay the Price: Structural Adjustment in Africa and the Caribbean* (Trenton, NJ, Africa World Press, 1995); V. Shiva, *Staying Alive: Women, Ecology and Development* (London, Zed Books, 1989).

affected by trade liberalisation. Those segments of the MEC that have experienced growth are heavily male dominated in terms of employment.[147] In addition, although inter-racial inequality is falling, South Africa has the first or second highest rate of income inequality in the world, and this is rising.[148] The deepening of (raced) inequality[149] gives rise to other patterns of uneven development as neo-apartheid 'gated communities' proliferate. While there are other reasons for the extent of crime in South Africa,[150] increased inequality undoubtedly contributes. Thus, conglomerate (selective) delinking becomes a self-fulfilling prophecy as it contributes to increased inequality, crime, and the narrowing of markets, which further increases incentives to disinvest.

Ultimately, economic liberalisation may undo South Africa's consociational compact, and in the longer term forebode further social instability, associated economic costs and a shift towards more authoritarian modes of governance.[151] Given skyrocketing crime rates there are calls amongst business for 'a *return* to law and order' (my emphasis).[152] However, the increasing informalisation of the economy[153] means that, in the medium term, tax revenues may be undercut and the South African state weakened.

Towards a Political Economy of a New South Africa

South Africa's experience has important implications for globalisation theory, which can inform praxis. In the literature, there has been a debate about whether globalisation is 'weak' or 'strong' in terms of its economic impacts and the constraints it places on state policies. Held *et al.* have transcended this debate by showing that there are different types of globalisation that vary across space in terms of their extensity, intensity, velocity and impact.[154] However, globalisation is not just a horizontal-relational phenomenon. It originates within particular places, materialises in national institutions and reshapes hierarchies between places.[155] As South Africa's experience shows, globalisation may originate from

147 I. Valodia, 'Economic Policy and Women's Informal and Flexible Work in South Africa' (paper presented at the TIPS 2000 Annual Forum, 18–20 September 2000 at Muldersrift).

148 Brazil's may be higher. Statistics South Africa, *Measuring Poverty in South Africa* (2000: available at www.statssa.gov.za).

149 Although inter-racial inequality is falling, this reflects the creation of a new indigenous entrepreneurial and managerial class and the absorption of indigenous people into paid employment by the state. See N. Nattrass and J. Seekings, ' "Two Nations"? Race and Economic Inequality in South Africa Today', *Daedalus* (Winter 2001), pp. 45–70. Inequality remains profoundly gendered and raced in the sense that poverty remains heavily concentrated amongst rural black women and that it is predominantly the black working class that has had to bear the burden of retrenchments, while white conglomerate capital has benefited from globalisation. See J. May, I. Woolard and S. Klasen, 'The Nature and Measurement of Poverty and Inequality', in J. May (ed), *Poverty and Inequality in South Africa: Meeting the Challenge* (Claremont and New York, David Philip and Zed Books, 2000), pp. 19–50.

150 See S. Ellis, 'The New Frontiers of Crime in South Africa', in J. F. Bayart, S. Ellis and B. Hibou, *The Criminalisation of the State in Africa* (Oxford, Bloomington and Indianapolis, James Currey and Indiana University Press, 1999), pp. 49–68.

151 K. Mengisteab, 'Globalisation and South Africa's Transition through Consociational Arrangement', in F. Adams, S. Dev Gupta and K. Mengisteab (eds), *Globalisation and the Dilemmas of the State in the South* (New York, St. Martin's Press, 1999), pp. 133–151: Habib and Padayachee, 'Economic Policy and Power Relations'.

152 C. Campbell, 'Presidential Address', Steel and Engineering Industry Federation of South Africa, 12 October 1998, Johannesburg, *SEIFSA Annual Report* (1998), p. 2.

153 C. M. Rogerson, 'Emerging from Apartheid's Shadow: South Africa's Informal Economy', *Journal of International Affairs*, 53, 2 (2000), pp. 673–695.

154 D. Held, A. McGrew, D. Goldblatt and J. Perraton, *Global Transformations: Politics, Economics and Culture* (Stanford, Stanford University Press, 1999).

155 S. Sassen, 'Servicing the Global Economy: Reconfigured States and Private Agents', in K. Olds, P. Dicken, P. Kelly, L. Kong and H. Wai-chung Yeung (eds), *Globalisation and the Asia-Pacific* (London and New York, Routledge, 1999), pp. 149–162. Held *et al.*, *Global Transformations* and D. Held and A. McGrew, 'The Great Globalisation Debate: an Introduction', in D. Held and A. McGrew (eds), *The Global Transformations Reader: an Introduction to the Globalisation Debate* (Cambridge, Polity Press, 2000), pp. 1–45.

either the 'outside in' or the 'inside out'. It is generally strongest in its impacts where it is largely driven from outside, and economies are extraverted as in Singapore, Ireland or much of Sub-Saharan Africa. It tends to be weakest in quantitative terms where capital is most developed and trade-to-GDP ratios are low, as in the major industrial countries.

South Africa is unusual in that globalisation was initially largely 'from the inside out', but its impacts have been strong in terms of job loss and economic diversification. Typically, where globalisation originates from within, those places are in dominant positions within subsequent networks and benefit from profit repatriation. However, the shift of major conglomerate headquarters to London has negated this in the South African case. Thus, as the nature of globalisation is restructured, South Africa increasingly experiences it from the 'outside in' (dependence).

Within South Africa, there has been a continuing debate around what constitutes an appropriate economic development strategy. In 1997, Stephen Gelb argued that South Africa's development strategy must embody a compromise between capital and labour, given the power of both parties to disrupt a settlement not in their interests through strikes or a refusal to undertake new investment.[156] Webster and Adler argue for a deepening of South Africa's corporatist institutions to facilitate 'bargained liberalisation' where efficiency on the shop-floor by labour is matched by redistributive mechanisms at the national level to offset the effects of any economic adjustments.[157] However, they acknowledge that this would require the reintroduction of Keynesian solutions at national and international levels.[158] This is likely to remain elusive given the vested interests of the major industrial powers in the continuance of neo-liberalism.

Nicoli Nattrass has argued that neither Keynesian nor neo-liberal strategies are likely to achieve their goals, but that the neo-liberal ones are more realistic and less damaging.[159] She argues persuasively that a Keynesian-inspired public investment programme would likely result in unsustainably increased public debt and that an investor response would not necessarily be forthcoming. However, her limited endorsement of GEAR is difficult to sustain given the impacts of current neo-liberal restructuring.

President Mbeki has recently called for a 'Millennium Africa Renaissance Programme'. However, this would appear to be largely a continuation of the current approach to economic development, particularly given its prioritisation of foreign investment.[160] What then is the alternative?

While replicating the Asian experience of industrialisation is not possible, the potential for effective state intervention in the economy remains.[161] In the wake of the East Asian

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156 S. Gelb, 'South Africa's Post-Apartheid Political Economy', in L. Swatuk and D. Black (eds), *Bridging the Rift: the New South Africa in Africa* (Boulder, CO, Westview Press, 1997), pp. 41–69.

157 E. Webster and G. Adler, 'Toward a Class Compromise in South Africa's "Double Transition": Bargained Liberalisation and the Consolidation of Democracy', *Politics and Society*, 27, 3 (1999), pp. 347–385.

158 For a similar argument for Africa, see R. Sandbrook, *Closing the Circle: Democratisation and Development in Africa* (Toronto and London, Between the Lines and Zed, 2000).

159 N. Nattrass, 'Economic Restructuring in South Africa' and 'Gambling on Investment: Competing Economic Strategies in South Africa', *Transformation: Critical Perspectives on Southern Africa*, 31 (1996), pp. 25–42.

160 'Briefing by President Thabo Mbeki at the World Economic Forum Meeting, Davos, 28 January 2001: Millennium Africa Renaissance Programme – Implementation Issues', *Review of African Political Economy*, 87 (2001), pp. 108–110.

161 T. J. Pempel, 'The Developmental Regime in a Changing World Economy', in M. Woo-Cumings (ed), *The Developmental State* (Ithaca, NY, Cornell University Press, 1999), pp. 137–181; J. Streak, 'The Counter-Counterrevolution in Development Theory on the Role of the State in Development: Inferences for South Africa?', *Development Southern Africa*, 14, 3 (1997), pp. 307–325; R. Kaplinsky and E. Mhlongo, 'Infant Industries and Industrial Policy: a Lesson from South Africa', *Transformation: Critical Perspectives on Southern Africa*, 34 (1997), pp. 57–85; H. Chang, 'Evaluating the Current Industrial Policy of South Africa', *Transformation: Critical Perspectives on Southern Africa*, 36 (1998), pp. 51–72; C. Edwards, 'Financing Faster Growth in South Africa: The Case for Reforming the Financial Sector', *Transformation: Critical Perspectives*

crisis, even the IMF acknowledges that capital controls can, under certain circumstances, be beneficial.[162] Particularly given that the HIV/AIDS pandemic will discourage foreign investment, the state must reassert control over conglomerate and financial capital, through the reintroduction of the system of exchange controls, if the currently deepening inequality in, and marginalisation of, South Africa are to be reversed. Achieving greater autonomy from global financial capital will require the mobilisation of domestic resources through enforced saving, such as that pursued by Chile.[163]

While James Mittelman argues that new technologies have enabled capital to transcend national regulation, Saskia Sassen has noted that the high level of territorialisation of financial trading, and also its computerisation, have created possibilities for re-regulation.[164] Reasserting control over the conglomerates remains possible given the extent of their sunk costs in fixed investments in South Africa, with Anglo-American retaining roughly two-thirds of its assets in the country.[165]

The South African state is trying to resolve some of the problems created by apartheid by up-scaling economic development processes to the level of the global market. However, it has ended up reinforcing many of them. Given changed global conditions, particularly the constraints imposed by the WTO on export-oriented industrialisation, as liberalisation is required for market access, downscaling may be a more appropriate response. This will require reducing the structural power of conglomerate capital to block an alternative development strategy, through the partial redistribution of its assets. While conglomerates may still play a useful, if much reduced, role in the economy, alternative economic institutions, such as co-ops, community-based corporations and small businesses, must be constructed.[166] This will require the nature of the South African settlement to be revisited. If alternative economic institutions are to be constructed across locales, this will require the development of synergy between the state and civil society, between different levels of government, and the strengthening of state institutions.[167]

It is ironic that the 'political capital' built up by the ANC during the liberation struggle is now being spent to enforce neo-liberal structural reforms. While organising to embed the

Footnote 161 *continued*
on Southern Africa, 35 (1998), pp. 49–76; T. Mkandawire and C. Soludo, *Our Continent, Our Future: African Perspectives on Structural Adjustment* (Trenton, NJ, CODESRIA, IDRC, Africa World Press, 1999).

162 See J. Michie and J. Grieve Smith (eds), *Global Instability: The Political Economy of World Economic Governance* (London and New York, Routledge, 1999).

163 Enforced saving is where people are required by the government to save a certain proportion of their income, in pension funds for example, in order to finance domestic investment. In Chile, the government required foreign portfolio investors to put some of their investment in non-interest bearing bank accounts. This money was then subject to confiscation if investors engaged in short-term capital flight. On Chile see D. Green, 'Flexibility and Repression: The Chilean Model', in F. Rosen and D. McFadyen (eds), *Free Trade and Economic Restructuring in Latin America* (Washington, DC, NACLA Report on the Americas, 1995), pp. 54–61. Whereas Malaysia responded to the global economic crisis of 1997–99 and the outflow of capital from its economy by imposing capital controls, Chile liberalised its controls to try to attract more investment. This implies the necessity of transcending dependence on foreign portfolio investment (Bond, *Against Global Apartheid*).

164 Mittelman, *The Globalisation Syndrome*; S. Sassen, *Globalisation and its Discontents: Essays on the New Mobility of People and Money* (New York, Free Press, 1998).

165 Arnold, *New South Africa.*

166 M. Shuman, *Going Local: Creating Self-reliant Communities in a Global Age* (New York, Free Press, 1998).

167 On synergy see P. B. Evans, 'Government Action, Social Capital and Development: Reviewing the Evidence on Synergy', *World Development*, 24, 6 (1996), pp. 1119–32 and J. Tendler, *Good Government in the Tropics* (Baltimore, Johns Hopkins University Press, 1997). However, Tendler neglects the importance of synergy between scales, particularly national macroeconomic strategy in the sustainability of local/regional projects. See also A. I. Samatar, *An African Miracle: State and Class Leadership and Colonial Legacy in Botswana Development* (Portsmouth, NH, Heinemann, 1999).

state and market in society, and to transform them, may be more difficult than organising against apartheid, it is imperative if there is to be development.[168] The impetus for this must come from globalisation's and (post-) apartheid's counter-movements in South Africa.

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168 G. Adler and J. Steingberg (eds), *From Comrades to Citizens: The South African Civics Movement and the Transition to Democracy* (New York, St. Martin's Press, 2000).