Terblanche: I think they are rather influential here. But you see, what is also important is this bilateral commission between Vice President Gore and Deputy President Mbeki. The United States has been pushing this global economy notion on South Africa very hard.

When this macro-economic policy document was framed, people in the World Bank also played a role in it.

It is the global economy rhetoric that is getting through. We need economic growth; we are in a tight corner. But we also *desperately* need to improve this terrible unequal distribution of income. We need social stability. How to get social stability? You can't get it without doing something about poverty. I have strict reservations with the emphasis being so much on growth—let's have growth, yes, but we cannot neglect our inequality problems. We cannot neglect the problems of instability, the violence, the criminality you see. If you do neglect this, growth will not succeed! I don't think, we, in our terribly difficult condition—we have not yet attained the correct mix.

Sam Shilowa: 'Neo-liberal policies failed elsewhere'

The following is edited from the transcript of a presentation by Sam Shilowa, general secretary of the Congress of South African Trade Unions (Cosatu), on July 13 at a Labor Law Conference in South Africa.

I think it was Marx who said something to the effect of "we change the world, but not under conditions of our own choosing." We face a situation in South Africa today where we are attempting to transform our country. Yet we face various constraints, which we did not choose. Neither are they of our own making. They have been thrust upon us by history.

These include: the legacy of apartheid; the debt burden; destruction of our human resources; a deformed public sector; vast unemployment and poverty, marginalization of the majority from economic activity; massive income and social inequalities—the list goes on.

Secondly, the new world situation into which our democracy has been born. Politically, this situation has been characterized as a unipolar one in which there is no serious alternative to the power wielded by the G-7 countries, and their international financial and trade institutions. Economically, the process of globalization has trampled the sovereignty of nation-states. Capital has unprecedented mobility, aided by new technology and the new information age. The world economy has been organized into powerful trading blocs. We are told that those who don't play by the rules of the new game, will be forever marginalized and fall by the wayside.

The question therefore arises: Is it possible to achieve equity and growth under the contraints inherited from apartheid and imposed by the new world order? . . .

The Reconstruction and Development Program (RDP), and more recently labor's Social Equity document, are an attempt to say, despite all these obstacles, we can take our destiny into our own hands. . . .

As a country, we are today in danger of digging ourselves into a trap which will almost be impossible to escape from. That is, to abandon the path of transformation which we have set ourselves, by relinquishing our national sovereignty in the sphere of economic decision-making and sacrifice them on the altar of profits.

It has become widely accepted that the implementation of the economic policy prescriptions of Thatcher, Reagan, the World Bank and the IMF [International Monetary Fund], have had devastating consequences on countries where they have been imposed. These harsh facts are acknowledged, if not by all economists, then certainly by the vast majority of people living in these countries!

Yet there is enormous pressure on South Africa, not least by "the market," to adopt precisely these policies which failed elsewhere. This neo-liberal framework has by now become familiar. It includes, wholesale privatization; slash state spending; rapid deregulation of the labor, trade, and financial markets; contractionary monetary policies; and export orientation.

While these prescriptions are ideologically driven, and applied regardless of conditions which countries are facing, we do not reject them only on ideological grounds. We rather reject this package because it would be a disaster if applied in our country.

We do not reject opening up our economy, if this is done in a way which promotes our industries. We do not reject fiscal discipline, if it is subsumed to the task of economic development, rather than the other way around, and so on.

The attempt by powerful domestic and international interests to force us to accept laissez-faire, unfettered capitalism, flies in the face of the entire developmental experience of the 20th century. All successful examples of reconstruction and development in Europe, America, Japan or East Asia, have entailed massive involvement by the state, the creation of domestic demand, huge investment in human development, and policies to direct investment and industrial activity. Some, if not all, even introduced today's dreaded drastic measures, such as nationalization of key sectors (South Korea), running of massive deficits (e.g., Malaysia, more than 20%) and other measures which we are now told are heresy. None have relied exclusively on the market or attempted to remove the state from leading the development process. . . .

Trade and industry policy

The active involvement of the millions of our people who have been excluded from the mainstream of the economy is seen as a cornerstone of our new growth path. The unleashing of this untapped power of the domestic market, through infrastructural provision, the raising of peoples living standards, and the resultant cycle of demand and expansion, is one of the key underpinnings of the RDP growth strategy.

Despite this, there seems to be growing emphasis placed on a one-sided strategy of export-oriented growth. While increasing exports are important, not least to stabilize our balance of payments and to finance the technology we need, an expanded and dynamic home and regional market should be considered as the foundation for sustainable growth.

A one-sided obsession with exports will not create the jobs we need. A study by the National Institute for Economic Policy (NIEP) has established that between 1960-1996 the vast majority of production (over 80%) in the U.S.A., Europe, and Asian countries was geared toward domestic use, despite vigorous promotion of exports for many years. Further, NIEP has shown that increased production for export in a number of countries has created two to four times fewer jobs than similar increases in production for domestic consumption. . . .

Current indications that we are anxious to lift tariffs faster than our international obligations in all sectors of the economy, send the sign that we are more anxious to please the international community than to build our own industries. . . .

Another dangerous route that seems to be tempting us is that of EPZs [free enterprise zones]. Proposals for tax exemptions to attract business to economically depressed regions may on the face of it seem attractive. This is, however, a shortcut to regional industrial development which international experience shows has many hidden pitfalls. This approach: undermines the integrity of the tax base; fragments national economic policy; and is a slippery slope towards undermining of labor standards and trade union bashing in those zones. Poor regions will increasingly be trapped in a race to offer cheaper and more exploitative conditions. Problems facing these regions need to rather be addressed through other incentives. Otherwise we are going to repeat the disaster of the failed bantustan border industry experiments.

Fiscal policy

Without going into the complexities of fiscal policy, it worries us that fiscal discipline appears to becoming an end in itself, rather than a tool for development. Enormous pressure has been brought to force government to rapidly cut back its fiscal deficit, irrespective of the role which deficit financing could play in development. Our friends in government seem to have swallowed this lie, hook, line, and sinker.

This approach could have several detrimental consequences including—cutbacks in social services; cuts in public sector employment (particularly low-paid workers); limitation of public sector infrastructural investment; and greater pressure to privatize and commercialize public enterprises. Whatever the motives, this is the route that Chirac and Kohl are wanting to impose in the rush to formalize the single European Union currency.

This would seriously undermine the developmental role of the state, retard economic growth, and undermine delivery of the RDP.

Instead of going this route we believe that government should explore more creative approaches to the debt problem; introduce a pay-as-you-go system for public pensions (which could immediately reduce the deficit by half); and deal with the problem of high interest rates, which are inflating our debt repayments. We must also reject the attempt to place the public pension fund into private hands in the same way that other pension funds are run. . . .

Monetary policy

The current policy of keeping interest rates high stifles growth, raises the level of debt, frustrates the housing program, and hits small business and the person in the street. The only beneficiaries appear to be the booming finance industry, financial speculators, and the "hot" short-term foreign investors. This also makes our economy particularly vulnerable to capital movements, and the danger of a Mexico-type scenario.

This is worsened by exchange-control liberalization, which both enables foreign investors to withdraw capital at will, as well as domestic business incrementally moving capital out of the country. It is hard to understand this approach, when we are facing severe balance of payments problems, and low foreign-exchange reserves.