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List of Abbreviations and Acronyms

AHI  Afrikaanse Handelsinstituut
AIDS  Acquired Immune Deficiency Syndrome
ANC  African National Congress
AZAPO Azanian People’s Organisation
BNA  Basic Needs Approach
CBO  Community Based Organisation
CIS  Commonwealth of Independent States
COSATU Congress of South African Trade Unions
DA  Democratic Alliance
DP  Democratic Party
DTI  Department of Trade and Industry
EEA  Employment Equity Act
ESAP  Economic Structural Adjustment Programme
EU  European Union
FDI  Foreign Direct Investment
GATT  General Agreement on Trade and Tariffs
GDP  Gross Domestic Product
GEAR  Growth, Employment and Redistribution
GEIS  General Exports Incentive Scheme
GNP  Gross National Product
GNU  Government of National Unity
G-7  Group of Seven
G-8  Group of Eight
HIPC  Highly Indebted Poor Countries
HIV  Human Immunodeficiency Virus
IFP  Inkatha Freedom Party
ILO  International Labour Organisation
IMF  International Monetary Fund
ISCOR  Iron and Steel Corporation
JSE  Johannesburg Securities Exchange South Africa
MERG  Macro-economic Research Group
MNC  Multi-national Corporation
NACTU  National Council of Trade Unions
NAFCOC  National African Federated Chamber of Commerce
NALEDI  National Labour and Economic Development Institute
NEDLAC  National Economic Development and Labour Council
NEHAWU  National Education, Health and Allied Workers Union
NFA  National Framework Agreement
NGO  Non-governmental Organisation
NIEO  New International Economic Order
NNP  New National Party
PAC  Pan Africanist Congress of Azania
RDP  Reconstruction and Development Programme
SACOB South African Chamber of Business
SACP  South African Communist Party
SAMBO  South African Milk Buyers’ Organisation
SAMWU  South African Municipal Workers Union
SANGOCO  South African NGO Coalition
SILIC  Severely Indebted Low Income Countries
SOE   State-owned Enterprises
TISA  Trade and Investment South Africa
UNCTAD United Nations Conference on Trade and Development
UNDP  United Nations Development Programme
UNICEF United Nations Children’s Fund
UNO   United Nations Organisation
WB   World Bank
WEF    World Economic Forum
WTO   World Trade Organisation
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CHAPTER 1

Introduction to the study

1.1 Introduction

The continuing stand-off between labour together with organisations of civil society on the one hand, and the government together with business, on the other, speaks eloquently about the necessity to place the macro-economic strategy of Growth, Employment and Redistribution (GEAR) under a microscope. Such a step would help to determine whether or not the GEAR strategy, which is the overarching macro-economic strategy of the African National Congress (ANC)-led Government of National Unity (GNU), is a strategy for development.

This research attempts to make such a determination. In doing so, however, it appreciates that the GEAR strategy comes up at a specific moment in history and, as a result, begs a number of questions. The question, for example, as to where GEAR locates itself in the huge body of development thought is crucial. This is to say that it is necessary to establish whether the GEAR strategy merely walks the same road that other development strategies have traversed in the past, or whether it represents the breaking of new ground in the volatile discourse and practice of development.

The macro-economic strategy of GEAR comes up at the time when “the Southern African region is faced with two major interrelated challenges, namely, establishing good governance with enduring systems of democracy, and sustainable human development. …The evidence points to the conclusion that the two are indivisible – that human development cannot be sustained without good governance and that good governance cannot be sound unless it sustains human development”. (SADC, 1998:2)

It also comes up at a time when, “given the competitive global environment, the push to increase economic growth to at least 6% per annum and the international trend
towards jobless growth, the challenge facing the country [South Africa] is complex and, at a social level, explosive” (UNDP & UNAIDS, 1998:22-23).

This research appreciates also the consuming reality of globalisation which, according to political analysts opposed to it, not only tears down national barriers to trade in the name of economic liberalisation, but also denies countries the right to independent and sovereign development. Proponents of globalisation, on the other hand, contend that the future of the market economy, and of the further development of emerging economies depends on the success of both the integration and the liberalisation of the economies of emerging markets. They argue further that in order to be internationally competitive, the macro-economic strategy of each country must be in step with the fundamentals of globalisation.

These and many other related arguments will be subjected to very close scrutiny in this research. Also particularly crucial is an exploration of the Reconstruction and Development Programme (RDP), if only to determine why it had had to be abandoned in favour of GEAR, as some argue, or fortified by GEAR, as others contend. Such an exploration would define its philosophical underpinnings, what it sought to achieve and where, in terms of development thinking, it could be situated. This enquiry would also clarify whether GEAR and the RDP are antithetical or whether they complement and reinforce each other.

Some political observers assert that when South Africa’s economy became more and more integrated into the global one, the imperative to overthrow the RDP and to replace it with GEAR reasserted itself ever more strongly. This demand, they argue, could not be resisted for much longer. On the other hand, representatives of the government contend that the RDP can find meaningful expression only within the framework of a broader macro-economic strategy. They contend further that since the GEAR strategy provides such a framework, the relationship between the two must be understood to be one of complementarity.
1.2 Statement of the Problem

The history of South Africa is the history of a complex and brutal political system – the system of Apartheid – which culminated in the emergence, development and consolidation of two worlds in one country, namely, the First World and the Third World, with each deriving its continued life and sustenance from the other. This phenomenon is not peculiar to South Africa. It is a characteristic feature of almost all developing countries. The one notable difference, however, is that whereas this phenomenon is generally defined by the dichotomy between the rural and the urban, in South Africa it is generally defined not by geography but by race. This means that even when they lived in wealthy urban areas, black people were compelled by Apartheid legislation to eke out an existence in deliberately contrived Third World surroundings.

With the dawn of a new political order in 1994 have come the hope and the promise of a change in the conditions of life of black people. There is also a sense in which this new order signalled the beginning of the end of the insecurity which had engulfed the white section of this country since the mid-eighties - a period characterised by such infamous slogans as “kill the farmer, kill the boer”, “taking the armed struggle to the suburbs”, “one settler, one bullet”, and “joining fee, hlogo ya leburu”. The more far-sighted in the white community understood the pleasant implications of the new order, and happily embraced it.

The RDP was one such beacon of hope. Developed initially by the ANC, embraced and endorsed as the overarching socio-economic framework of the GNU in 1994, the RDP extolled the virtues of human-centred development approaches; it articulated a bias in favour of those formerly disadvantaged, namely black people, women and the disabled; it expressed hostility towards the wanton destruction of our eco-system caused by the avarice of development approaches driven by economic growth; and it declared as its strategic objective the creation and promotion of labour-intensive employment. The RDP contained most of the principles advocated by contemporary development thought.
However, as will become clearer when a closer look at the RDP is undertaken, a broader and more focused economic tool became essential. The RDP, many charged, was silent on major economic variables such as fiscal and monetary policy. This paved the way for the introduction of the strategy of GEAR.

It is the purpose of this research to determine whether the strategy of GEAR, based on the principles that undergird it as well as on the impact of its initial operationalisation, is indeed a beacon of hope for an emerging country with a past like ours. And as we engage in this process, we are encouraged by the knowledge that “poverty is no longer inevitable… the world has the material and the natural resources, the know-how and the people to make a poverty-free world a reality in less than a generation … this is not woolly idealism but a practical and achievable goal” (UNDP, 1997:iii).

1.3 Aims of the Research

GEAR holds out a promise to the poor and the ever-growing army of the unemployed in this country. It talks about employment and redistribution – phenomena which this country needs with immeasurable desperation and haste. This research should be able to:

- establish whether Gear is a new and attractive name for the old theory of modernisation, or whether it constitutes the breaking of new ground in the ongoing discourse on development;
- shed light on exactly how GEAR proposes to create employment; this will determine whether the promise of employment is within the realm of possibilities;
- determine the mechanisms that the strategy of GEAR sets out to utilise in order to give effect to its wealth redistribution undertaking; and
- produce information about GEAR which the trade union movement, community based organisations (CBOs) and non-governmental organisations (NGOs) operating in the field of development, as well as organisations of and
for the poor, and political parties can use either to support this strategy or mobilise against it.

1.4 Methodology of the Research

My approach was to conduct a literature study, particularly of primary and secondary source documents. This included, amongst other sources, government documents on GEAR itself, related gazettes and legislation, related input papers and discussion documents; position papers and mouth piece documents and publications of the Congress of South African Trade Unions (COSATU), the National Council of Trade Unions (NACTU), the South African Chamber of Business (SACOB), the National African Federated Chamber of Commerce (NAFCOC), as well as those of political parties such as the Azanian People’s Organisation (AZAPO), the Democratic Party (DP), the New National Party (NNP), and the Pan African Congress (PAC). Also included in this list was the South African Non-governmental Organisation Coalition (SANGOCO).

Since this research was undertaken simultaneously with the implementation of the GEAR strategy, it was my expectation that constant adjustments in this strategy, in response to changing circumstances, would abound. I anticipated, therefore, that very much like a mobile target successfully evading capture/arrest, it might be difficult to sustain a coherent argument and to arrive at a cogent conclusion. Nevertheless I am confident that whatever adjustments were made have been captured in media reports, especially the print media, and that this has helped to resolve the problem of a moving target. Thus, this medium played a crucial role in this research.

In order to allow for a deeper understanding of their position papers and publications as well as to avoid the possibility of distorting these, I considered it appropriate to schedule interviews with representatives of the above-mentioned organisations including the Ministry of Trade and Industry. However, when I approached the above-mentioned organisations, political parties and government departments to arrange for these interviews, all referred me to their websites. I am satisfied that the information
collected from the websites was sufficient for the purposes of this research and rendered interviews redundant.

It is my considered view that because this research deals with somewhat weightier and more abstract concepts, the use of random surveys would have been inappropriate. I believe that the purposes of this research were better served by a deliberate selection of sources.

Since the central theme of this research is development, it is appropriate to set out to define this concept, to explore its history so that a deeper understanding of its different shapes and shades is gained. This we do in the following chapter.
CHAPTER 2

Development – A Constantly Changing Phenomenon

2.1 Introduction

Both during and, particularly after the end of World War II, the poverty that had begun and continued to engulf large sections of humanity had become intolerable. Those who were advocating for a social order that held in high esteem the ideals of democracy understood the contradiction which the state of poverty occasioned. They understood that poverty and prosperity could not cohabit in peace, and that the sustainability of such prosperity would forever remain under threat. They, therefore, sought a way to change, for the better, the conditions of life of those stricken by such poverty. Development, development and development of the poor regions of the world was adopted as the solution to this problem.

Now, almost fifty years thereafter, South Africa found herself confronted by the same set of problems – a large poverty stricken majority crying out for improvement in the conditions of their life. In the same way, development featured very strongly in the route South Africa elected to take as a solution to this problem. The Reconstruction and Development Programme (RDP) is a case in point.

It is the submission of this research that development is the central theme of this study. Accordingly, it should be clear that without a full grasp and a deeper understanding of the meaning of development, it will not be possible to determine whether or not the GEAR strategy is indeed a strategy for development.

This chapter explores the origins of the concept of development as well as the circumstances surrounding these, the gradual evolution of the meaning of
development manifesting in the various phases, and concludes with the not-so-well-defined but strongly held and growing outlook rejecting all these phases and declaring the dawn of a new era - the era of Post Development.

2.2 The origin and context of development

The circumstances surrounding the irruption of the word, or perhaps the phenomenon, known as development in the world political scene can be categorized into three major occurrences.

Firstly, the end of World War II, which marked the decisive defeat of the Axis Powers, left in its wake a devastated Britain and the European Allies. But it also catapulted the United States of America into a position of economic and military pre-eminence. However, this powerful position did not go unchallenged. Secondly, and very much a contender to this power, the Soviet Union which had acquitted itself very well during the War, emerged even stronger after the War. Both during and immediately after this War, the Soviet Union commandeered the accession to power of fraternal regimes in most of Eastern Europe as well as some parts of South-east Asia. When China fell into the sphere of influence of the Soviet Union, the West was shaken.

Thirdly, and inspired by the same passion for self determination and sovereignty that drove the war effort against the Axis Powers, anti-colonial movements appeared on the world stage and new and independent nation-states came into being. And on which side, the East or the West, each of these emerging nation-states would fall, became a matter of crucial strategic and geo-political importance.

These circumstances combined to produce new contradictions and new conflicts. The Cold War between the East and the West, which taxed the minds of many and laid to waste the much needed resources of the world, remained the major world event until the collapse of the Soviet Union in 1989. These circumstances also produced theories and systems by which to remedy world problems prevalent at the time. One such theory and system was development.
In his inaugural address as president of the United States of America on January 20, 1949, Harry Truman lent global legitimacy to the concept of development when he announced his theory of a ‘*Fair Deal*’ for the whole world to solve the problems of the underdeveloped areas of the globe. He said that:

“More than half the people of the world are living in conditions approaching misery. Their food is inadequate; they are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat both to them and to more prosperous areas. For the first time in history humanity possesses the knowledge and the skill to relieve the suffering of these people. What we envisage is a program of development based on the concepts of democratic fair dealing” (Escobar, 1995:3).

And so was born into the political family of the world a new offspring, namely development - a concept hitherto largely confined to biology and other scientific endeavours. But what development and underdevelopment meant became thenceforward a very hotly contested terrain.

In an effort to destroy the foundations on which Truman’s inaugural development address stood, W. Sachs (1992:2) contended that the idea of development was launched “in order to provide a comforting vision of a world order where the U.S would naturally rank first”. He argued further that “the rising influence of the Soviet Union… forced him (Truman) to come up with a vision that would engage the loyalty of the decolonising countries in order to sustain his struggle against communism… For over 40 years, development has been a weapon in the competition between political systems” (1992:2).

Again, and casting doubt upon the reality of development and underdevelopment, Sachs (1992:1-2) suggested that “development is much more than just a socio-economic endeavour, it is a perception which models reality, a myth which comforts societies, and a fantasy which unleashes passions. Perceptions, myths and fantasies, however, rise and fall independent of empirical results and rational conclusions; they appear and vanish, not because they are proven right or wrong, but rather because they are pregnant with promise or become irrelevant”.

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Supporting this argument, Sachs (1992:11-2) contends that development and underdevelopment “define(s) a perception. This [perception] becomes, in turn, an object, a fact. No one seems to doubt that the concept does not allude to real phenomena. They do not realize that it is a comparative adjective whose base of support is the assumption, very Western but unacceptable and undemonstrable, of the oneness, homogeneity and linear evolution of the world. It displays a falsification of reality…”

However, Escobar (1995:5), in asserting the concreteness of development and underdevelopment, argued that “one could criticize a given approach [to development] and propose modifications or improvements accordingly, but the fact of development itself, and the need for it, could not be doubted”. Also arguing for the material nature of development and underdevelopment, Munoz (1981:25) suggests that “both underdevelopment and development are aspects of the same phenomenon, both are historically simultaneous, both are linked functionally and, therefore, interact and condition each other mutually. This results in the division of the world between industrial, advanced countries and underdeveloped, backward countries”.

Nevertheless, and in spite of the acrimonious debates about the reality and non-reality of it, development became the centre-piece of all thought and behaviour. It indeed became a material force. But because it was interacting with and addressing a reality, which was constantly in motion, development itself could not remain the same and still be relevant. Thus, the concept of development went through many phases, each representing a specific historical period and often advancing and promoting the interests of a specific section in society.

2.3 The various phases of development

Albeit at the risk of imprecision, it might be helpful to divide the history of the concept of development into four phases. The problem with this approach, however, is that social reality does not move in neatly packaged stages – it is a complex of processes. Nevertheless, in order to ensure ease of comprehension and to enhance manageability of this complex of processes, some boundaries need to be established.
The following, therefore, could be categorized as the main phases in the long history of the concept of development. Accordingly, and because the situation is much more complex than this research may suggest, only a few examples of some of the most important development theories are given.

2.3.1. Modernisation

Accepting the social reality captured in the inaugural address by President Truman in 1949, namely that there were many underdeveloped areas in the world, that the inhabitants of these areas were stricken by poverty and that it was crucial to take development to these areas, many US scholars and economists suggested another Marshall Plan, designed for Third World conditions, as a solution. “But other social scientists argued that fundamental differences between the developmental experience of Europe and the less-developed countries mitigated against the success of such a strategy” (Munoz, 1981:16). In the same context, Munoz (1981:16) argued that whereas the purpose of the Marshall Plan in Western Europe was the resuscitation of institutions, structures and an economy that had been pulverised by the War, the same could not be said about underdeveloped countries – their case was not simply a matter of reconstruction but one of development” (Munoz, 1981:16).

This raises the question whether the Reconstruction and Development Programme (RDP) of the Government of National Unity (GNU) sought to reconstitute the same apartheid socio-economic infrastructure in order to serve the new democratic dispensation in South Africa.

But development, as Sachs suggested, “has connoted at least one thing: to escape from the undignified condition called underdevelopment” (1992:7). This escape came to imply the westernisation of the Third World. And this provided both the justification for and the impetus to the modernisation perspective.

The main assumptions of the modernisation perspective are that tradition and modernity are valid theoretical polarities; that the values, institutions, and patterns of action of traditional society are both an expression and a cause of underdevelopment and constitute the main obstacles in the way of modernisation; and that in order to
enter the modernisation path, underdeveloped societies must overcome traditional norms and structures to allow for social, economic and political transformation. “These ‘non-economic’ factors became the cornerstone of a conceptual framework which would influence the U.S response to the Third World” (Munoz, 1981:16).

And, accordingly, all the features upon which the ‘advanced’ societies were anchored were to be exported to developing societies to form the basis of their new order. These features included “high levels of industrialisation and urbanisation, technicalisation of agriculture, rapid growth of material production and living standards, and the widespread adoption of modern education and cultural values” (Escobar, 1995:4). And to the extent that the concept of development ostensibly sought to bring relief to the terminal conditions of poverty, disease and squalor in the Third World, economic growth became the constant refrain in the mainstream development discourse. And so, the modernisation phase was characterised by economic growth theories.

As Sachs (1992:12), contended “development, which had suffered the most dramatic and grotesque metamorphosis of its history in [President] Truman’s hands, was impoverished even more in the hands of its first promoters, who reduced it to economic growth”. And by economic growth was meant as Todaro (1985:83) asserted, “the capacity of [the] national economy… to generate and sustain an annual increase in its gross national product at rates of perhaps five to seven percent or more”. Todaro further argued that on the whole, development in the 1960s and 1970s was nearly always seen as an economic phenomenon, in which rapid gains in overall and per capita GNP growth would “trickle down” to the masses in the form of jobs and other economic opportunities… “Problems of poverty, unemployment and income distribution were of secondary importance to getting the growth job done” (1985:84). In support of this thrust, Arthur Lewis, an economist of note at the time, suggested that “… it should be noted that our subject matter is growth, and not distribution” (Sachs, 1992:12).

In this connection, Wilber (1979:14) makes important points when he argues that “in the strategy of promoting economic growth, the question of income distribution is postponed”. Until sufficient economic growth has occurred, it is considered harmful to focus on distributive effects. Policies aimed directly at promoting more equitable
income distribution are thought to hamper economic growth by: (1) reducing entrepreneurial incentives through curtailing profits, (2) lowering the rate of savings of those most likely to invest, and (3) delimiting the choice of efficient technologies through favouring of labour-intensive production. It is expected that an ever-increasing output of goods and services will in fact mean a prosperity, which, through a “trickle-down” process, will improve the lot of the masses.

When W.W. Rostow (1960) came up with his *Stages of Economic Growth* he not only consolidated conventional wisdom about the real meaning of development, namely that it was strictly economic, but also paved the way for a new focus by the United Nations Organisation (UNO). Accordingly, the *United Nations First Development Decade* (1960–1970) concentrated on mediating the problem of insufficient capitalisation of Third World economies and set a quantitative target of a 5 percent annual increase of GNP in the developing countries. Yet, and in spite of the so-called success stories of Brazil, Mexico, and India, which had experienced very high rates of GNP growth during the 1960s, the benefit flow was not trickling down. In fact, Wilber (1979:9) contended that “not only is there no automatic trickle down of the benefits, the development process leads typically to a trickle up in favour of the middle classes and the rich”.

As will be seen when the GEAR strategy is explored in the coming chapters, the question of economic growth is as controversial as it is critical.

However, and whereas the economic growth model of development had failed dismally to reduce the poverty of the people in Third World Countries, it certainly scored successes in the reduction of the poverty of the economies of many of these countries. What became patently clear was that it was necessary to integrate the ‘economic’ and the ‘social’ aspects of development. As the *Proposals for Action* of the *First UN Development Decade* noted, “the problem of the underdeveloped countries is not just growth, but development… Development is growth plus change. Change, in turn, is social and cultural as well as economic, and qualitative as well as quantitative… The key concept must be improved quality of people’s life” (Sachs, 1992:13). And so, the conditions for another phase of the concept of development were nurtured.
2.3.2. The Dependency Theory

Although it was the first to launch a scathing challenge against the modernisation approach, the dependency theory was kept at the periphery of the mainstream development discourse. Emerging as it did at the time when the anti-Communist sentiment had begun to gather support in the capital cities of Europe and the US, the dependency perspective became the victim of a conspiracy of silence in the publications and mediums of mass propaganda in Western countries.

Munoz (1981:16) underlines this point when he argues that “it is revealing that the most important writings of the dependency perspective still have not been translated into English, over a decade after the first mimeographed drafts began to circulate in Santiago. Dependency analysis became known in the US and Europe not through the writings of Latin Americans but through interpreters such as Andre Gunder Frank whose work differs substantially from that of important authors in the field”.

To the extent that the dependency perspective stood fundamentally opposed to the modernisation perspective in its conceptualisation of Third World poverty and underdevelopment as well as in the measures required to combat these, this perspective must occupy a specific niche in the development dialogue. It is my considered view that this perspective contributed a particular focus in the development discourse which not only set it apart from other perspectives, but should also have earned it the status of a phase in the development theory continuum.

The main assumptions of the dependency perspective included that the cultural and institutional features of Third World countries were, in themselves, simply not the key variables accounting for the relative backwardness of these countries; that the tradition-modernity polarity was of very little value as a fundamental working framework; that “the development of a national or regional unit can only be understood in connection with its historical insertion into the world-wide political-economic system which emerged with the wave of European colonisation of the world” (Munoz,1981:25); that, in fact, the real polarity which exists is that between the centre and the periphery where the former “is viewed as capable of dynamic development responsive to internal needs, and as the main beneficiary of the global
links [and the latter] is seen as having a reflex type of development, one which is both constrained by its incorporation into the global system and which results from its adaptation to the requirements of the expansion of the centre” (Munoz, 1981:25).

This perspective argued that, as Wilber contended, “at issue is not so much the quantity of economic growth, or even the quantity of social growth, but the quality of the process by which the growth is achieved” (1979:10). It argued further that, while economic and social development are important, the fundamental question is: who controls the development process? In other words, are the countries objects of development – at someone else’s hands, or are they subjects of development – in control of their own destiny? (Wilber, 1979:10).

In the final analysis, dependency could be summed up to mean that “the major decisions which affect socio-economic progress within less developed areas – decisions, for example, about commodity prices, investment patterns, monetary relationships – are made by individuals and institutions outside those countries. It is a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected (Wilber, 1979:11). Accordingly, underdevelopment is seen as the flip side of the coin of development.

Whereas the dependency-underdevelopment theories were criticised by “Marxist scholars …, in particular, on [the] view that Latin America had been capitalist since the days of conquest, [and] that [its] backwardness was the consequence not of feudalism but of capitalism itself” (Wilber, 1979:12), the fact remains that these theories forced the development discourse to focus on the international climate in which developing countries were to operate.

As a direct consequence of the dependency perspective, the call for a “New International Economic Order” (NIEO) received huge support mainly from developing nations. In fact, “in April, 1974, the Sixth Special Session of the General Assembly of the United Nations passed… a Declaration on the Establishment of a New International Economic Order” (Wilber, 1979:12).
In spite of its persuasiveness, the dependency perspective has not been able to help the situation. To be sure, its starting point is international, and it has not been able to come down to the national context to provide concrete interventions as to how poverty, hunger and disease could be engaged with. This remains its weakest link.

Insofar as it did not address directly and on an urgent basis the poverty of Third World countries, and to the extent that it was seen as another Marxist perspective, the dependency approach was not taken seriously. Nevertheless, and indeed very interestingly, the call being made today for a new international order in areas of trade, aid, investment patterns, monetary relationships and multilateral institutions such as the IMF and the WB, reaffirms the contributions made by the dependency perspective more than twenty-five years ago.

2.3.3. The Basic Needs Approach (BNA)

The basic needs approach represents another phase in the history of the concept of development. It arose in response to the blatant inability of the economic growth approaches to impacting positively on poverty levels in developing countries. Whereas it accepted that judged in terms of the increase in the gross national product (GNP), the development process, since World War II, had been a spectacular, unprecedented, and unexpected success, the BNA sought to go beyond such concepts as money, income, growth, GNP, or unemployment, which it considered to be abstractions. It argued that “these aggregates have their place and function, they are important concepts and should not be abandoned, but they are useless if they conceal the specific, concrete objectives that are sought. To consider basic needs is to move from the abstract to the concrete, from the aggregate to the specific” (Streeten, 1981:12).

Accordingly, the BNA set out to identify particular groups of the unemployed for specific intervention measures. These were school leavers, recent migrants to the city, landless labourers, small-scale farmers without water supply, and the like. It also drew attention to deprived groups of individuals and families such as women, children under five, the elderly, youth with specific needs, ethnic groups discriminated against, and communities in distant and neglected regions (Streeten, 1981). In this way, the
BNA was able to appeal to and mobilize national and international sentiment in support of its work.

Emphasizing the centrality of human beings and their needs in the development process, the BNA argued that “the objective of the development effort is to provide all human beings with the opportunity for a full life” (Streeten, 1981:21). In a way, as Streeten (1981) avers, this could be regarded as a homecoming because the fundamental aim of development when it was conceived in the 1950s was to address the growing poverty in developing countries.

One interpretation of the BNA is that it is a revolutionary approach in that it calls for the radical redistribution not only of income and assets but also of power, and for the political mobilization and agitation of the poor themselves. This interpretation draws on the experiences of centrally planned economies such as China and Cuba. As a consequence the BNA is regarded by some officials, politicians and academics in developed countries, as Streeten (1981) intimates, as the Trojan horse of communism. Another interpretation of the BNA is that it is a minimum welfare sop to keep the poor quiet. Associated with this view is the perceived fear by developing countries that the BNA might be used by developed countries to renege on international development obligations and commitments to the Third World.

Yet another and, in fact, intermediate, interpretation is that there are a variety of political regimes that have already begun to meet basic needs. These are North and South Korea, China and Taiwan, and Costa Rica and Cuba. Arguing that some revolutions have gone terribly wrong, this interpretation contends that a revolution is neither a necessary nor a sufficient condition for meeting basic needs and that meeting basic needs is not the monopoly of one political creed.

One of the most important and foundational questions about the BNA, which remains unresolved is: who determines the basic needs? Is it the poor themselves or nutritionists and doctors? The information that has been collected, inter-alia, by the World Bank report on human resources in Brazil and by the Seebohm Rowntree’s study of poverty in York, shows that there is a contradiction between the choice of the poor and the basic needs as determined by doctors and nutritionists. Thus, for
example, there may be a preference for television to education, for soft drinks, beer and cigarettes to clean water and carrots (Streeten, 1981).

Another area of concern raised vis-a-vis the BNA is that since governments showed resistance to redistributing the benefits of economic growth widely, why should it be assumed that they would not resist the implementation of basic needs policies? This derives from the understanding that the governments themselves are not always neutral but, very often, work in league with propertied classes and the elite and almost always protect the interests of the elite.

And whereas some developing countries saw the BNA as a diversionary tactic to draw attention away from the need for a New International Economic Order (NIEO), many developed countries, while conceding the imperative to reduce poverty, argue that the implementation of the BNA “is either fuzzy or, where spelled out, inefficient, unsuited to achieve the declared objective, and possibly counterproductive” (Streeten, 1981:181).

These contradictions and differences paved the way for the advent of new development perspectives and theories.

2.3.4. **Another Development Approach**

This, the fourth phase in the history of development is characterized by three interesting features. First, it consolidates the centrality of people in the definition of development. To be sure, and as the *UNDP* (1996:51) submits, “the new growth theories thus confirm the human development position that the driving force of all economic growth is people”. Again, Hettne (1995:176) puts this matter beyond doubt when he argues that “… a process of growth that did not lead to the fulfillment of basic human needs was a travesty of development”.

Second, the Another Development perspective brings together a plethora of growing counterpoint development thoughts which stand in opposition to the mainstream development paradigm. It is home to the basic needs approach, to ethno-development, to eco-development, to sustainable development, and to many other perspectives of
the excluded, such as women, minority groups, people with disabilities and others.

Third, and most importantly, the Another Development approach launches out on a fundamentally different footing to the mainstream development thought. Far from lamenting traditional norms, values and institutions as the principal hurdles in the way of modernisation and development, the Another Development approach contends that these are the true bases for meaningful development in the communities where they prevail. Instead of looking up to both the state and the wealthy class as the main players in the development trajectory, the Another Development perspective isolates non-party-political civil society as the principal engine of real development. And, whereas mainstream development thought was preoccupied with the exportation of development to Third World countries, the Another Development approach argues that development cannot be universalized and that, therefore, there are no examples to emulate. It submits, in this regard, that there is no development as such but only that of a particular eco-space.

Hettne (1995:177) defines the Another Development as “need-oriented, endogenous, self-reliant, ecologically sound and based on structural transformation”. While the idea of endogenous development was never central to the modernisation approach, in the Another Development approach this phenomenon is not only very central but also, very interestingly, not linked to any common and universal path to development. In fact, the Another Development approach contends that “every society must find its own strategy in accordance with its own needs” (Hettne 1995:177).

It is also instructive to note that, in relation to the covetous global order, Another Development’s tenet of self-reliance countenances “selective participation of Third World countries in the international system as a prerequisite for the application of new development strategies, for strengthening internal sovereignty and for reinforcing self-reliance” (Hettne 1995:185).

The Another Development approach has as its fundamental pillars, which are essential to this exploration, the following principles:
2.3.4.1. The Principle of Territorialism

This principle promotes that conceptualisation of development which moves away from aggregates of production data and statistical tables to one where people united by a specific set of cultural values, are central. Territorialism, therefore, understands development not in terms of GNP, but in terms of improvement in the lives of members of a community as well as the protection and defence of the geographic space occupied by that community. As Hettne argues, “territoriality nurtures an ethics of care and concern for our fellow citizens and for the environment we share with them” (1995:200).

2.3.4.2. The Principle of Cultural Pluralism

Like that of territorialism, this principle focuses on people and their myriad systems of values - their culture. It contends that any development strategy “that threatens the ecological system of a region is therefore also a cultural threat against the ethnic group for which this region is the habitat” (Hettne 1995:202). This principle argues that development that takes into consideration cultural specificity cannot avoid a discourse on ethnicity.

2.3.4.3. The Principle of Sustainability

The principle of sustainability departs from the view that development must imply a resource base, and argues “that neither the old nor any new international economic order would be viable unless the natural biological systems that underpin the global economy are preserved” (Hettne 1995:205). It promotes what is identified as intergenerational equity, which refers to development which “...meets the needs of the present without compromising the ability of future generations to meet their own needs” (Hettne 1995:206).

These three principles which undergird the Another Development approach raise issues that go right to the heart of the economic strategy of GEAR.
It is pertinent to mention that, both as part of the fourth phase dealt with above and as a departure from it, there has emerged since the late 1980s a perspective suggesting the dawn of a new era - the era of Post Development. Seeing development as self-destructing and being continually unmade by the actions of social players, even as it continues to destroy people and nature, the proponents of this perspective state that they are interested “… not in development alternatives but in alternatives to development, that is, the rejection of the entire paradigm altogether” (Escobar, 1995:215).

Going under titles and labels such as Beyond Development, In Spite of Development, and even Against Development, protagonists of this trend of thought share an interest in local culture and knowledge, are critical of established scientific discourse, and are defensive of and promote localised, pluralistic grassroots movements. They contend that to conceptualise alternatives in the way that sustainable development does, for example, is tantamount to remaining within the same model of thought that produced development, in the first instance, and kept it alive (Escobar, 1995).

Ostensibly lending legitimacy to the Post Development thinking, a huge social movement comprising environmental groups/green parties, church groups, non-government organisations, leftist groups, trade unions, debt-cancellation campaigners, civil society organisations and many others, has launched a global offensive against international institutions perceived to be driving the development agenda. These institutions include the World Bank and IMF, the World Trade Organisation (WTO) and the World Economic Forum as well as the Group of seven highly industrialized countries (G-7), which now includes Russia to constitute the Group of eight (G-8).

Accordingly, this movement descended on Seattle in November 1999, and made it impossible for the World Trade Organisation to conduct business on the first day of its summit. It repeated this action against the World Bank meeting in Washington in early 2000. It continued this offensive against the IMF summit in Davos, Switzerland, in the middle of 2000. It planned and held alternative forums to counter the World Economic Forum summit in Davos, Switzerland, in January 2001. These campaigns have, without fail, always generated heat and anger and culminated in violence. This is a trend worthy of being constantly watched.
2.4. Conclusion

It is clear that in spite of arguments to the contrary, the reality of development and underdevelopment is demonstrable indeed. It is equally clear that to argue that development is incorrectly operationalised, far from negating its concreteness, actually endorses its reality.

It is clear too that in spite of the apparent qualitative differences between and among the phases of development, none could be said to have been worthless. On the contrary, as is the nature of all evolutionary processes, strong attributes of the one phase are always carried forward and integrated into the body of the subsequent phase. In fact, some of the elements making up contemporary development thought are traceable to decades-old development positions.

It also appears to be abundantly clear that the tension between the development models resides not so much in the rejection of the need for economic growth, nor the satisfaction of basic human needs, as in the ability to balance these seemingly competing demands.

It does not appear that the so-called Post Development era would be able to extricate itself from the development mode of theorising and launch out on a completely new path. It will be interesting indeed to watch this Post Development movement.

Even more interesting, though, is where the GEAR strategy locates itself in this intricate web of thoughts. Is it located in any of the phases discussed above, or does it straddle a few of these? To be able to make such a determination, we propose to look, in the first place, at the various contexts that helped to shape the strategy of GEAR. This we do in the next chapter.
Chapter 3

The Context of the GEAR Strategy

3.1. Introduction

The macro-economic strategy of GEAR did not descend onto South Africa from the heavens. It is the product of the social milieu which it seeks to transform. To understand this strategy, it is necessary to understand the milieu from which it arises.

In a globalising and integrating world where, (unlike before), the world has become increasingly interdependent, where national boundaries are becoming a socio-economic impediment, where national sovereignty exists only in name and where a crisis erupting in South-east Asia, for example, has a devastating consequence on countries as far off as South Africa, the social milieu we need to understand cannot be the South African one alone. South Africa is itself shaped and influenced by the Southern African region of which it is a member as well as by the African continent whose future it is helping to fashion. South Africa is certainly also deeply influenced by other world players.

Consequently, this chapter focuses on the context within which the GEAR strategy arose and in which it was distilled. And this context is divided into the international, the continental and the national. In the national context, this chapter explores briefly the Reconstruction and Development Programme (RDP) - an important overarching socio-economic plank of the Government of National Unity (GNU) post 1994. This exploration is important not only because the RDP is, as some see it, a precursor to the GEAR strategy, but also because, as others suggest, the RDP is the force that drives the GEAR strategy. This chapter then concludes with a few observations.
3.2. **International Events**

The collapse of the Soviet Bloc in 1989 set in motion a myriad of processes which have transformed fundamentally the course of many events throughout the world. We deal in this inquiry only with those that have relevance to our purposes. Thus, and on the one hand, this collapse meant that the USA emerged as the single global superpower, commanding massive military force and hegemonic power.

Through this power, the USA was able to globalise its influence, exert diplomatic and economic pressure on other countries, and subordinate international institutions such as the IMF, World Bank and the United Nations to its will. In a word, the USA wielded untrammelled power and unparalleled influence on a global scale.

On the other hand, the strategic importance of many developing countries, which was a material consideration during the Cold War between the East and the West, simply evaporated. Whereas they could play off the East against the West for self-interest in the past, developing countries found that this was no longer possible. They also found that they had lost whatever leverage they had had in the past and that their freedom to choose their own political and economic systems had become drastically reduced. And, as Marais (1998:111) observed, the “neo-liberal policies, held out as universally applicable panaceas and the only road to growth and development”, were imposed on these countries. At the same time, and increasingly, progressive movements everywhere found themselves in disarray as their material benefactors disappeared, as their strategic space diminished and as their ideological anchorage appeared no longer strong enough.

In the meanwhile, technological advances were taking place at a pace and rate which tended to leave many social institutions and traditions lagging behind. What this meant was that new methods of production not only caused economies to shed jobs much faster than they could replace them, but also brought together educated labour with educated instruments of production. Nevertheless, and in a relentless search for greater margins of profit, labour-intensive industries began to look for ways of migrating from high-cost rich countries to low-cost poor countries in the developing world.
However, in order for this migration to happen effectively, the state and its role were decisive. Thus, the state as regulator of economic activity, the state as distributor of the benefits of such activity, and the state as “employer of last resort” (Marais, 1998:116), was seen as a hurdle which needed to be surmounted. Towards this end, a massive crusade was launched to shrink the state and to diminish the sovereignty of nation-states. Marais (1998:117) fortifies this contention when he states that:

“In some respects the state has been drastically weakened, delegating its traditional monopoly over certain functions, such as law and order which increasingly is performed by private security firms. In the realms of culture and information, state sovereignty has become radically eroded – as communications satellites beam television and radio programmes into countries … and computers linked to the internet disperse and receive vast amounts of data via cyberspace which, by its very definition, transcends the notion of national boundaries”.

Endorsing this line of thought, Finger (1996:17), in a paper titled People’s Perspectives on Globalisation, argues that “the nation-state is caught between the global and the local … On the one hand, the global managers increasingly aim to instrumentalise the nation-state for their purposes and dictate their global policies. On the other hand, local and fragmented reactions – enhanced through democratic decision-making processes – weaken traditional politics, as it becomes increasingly difficult to develop coherent policies which are simultaneously legitimised by the citizens. In other words, caught between the global and the local, the nation-state and its traditional politics are increasingly delegitimized”.

Moreover, states found not only that the advent and rise of trans-national production systems eroded further their capacity, but also that programmes to advance national interests were over-ridden by supra-national bodies such as the IMF and the World Bank, on the basis of loans extended, or the United Nations Organisation on the strength of the mandate, for example, to intervene militarily or to embark on peace-keeping operations.
Nevertheless, and in a persuasive rebuttal of the view elaborated above, Panitch (1994:14) argues that globalisation “takes place in, through, and under the aegis of the states; it is encoded by them and, in important respects, even authored by them; and it involves a shift in power relations within the states that often means centralisation and concentration of state powers as the necessary condition of and accompaniment to global market discipline”.

Hall and Jacques (1989:61) support this view when they argue that “there is a symbiosis between the state and trans-national corporations from which both benefit … they are allies as well as competitors and opponents”. And, in further support of the centrality of the state, Murray (1971:84) submits that “weaker states in a period of internationalisation come to suit neither the interests of their own besieged capital nor of the investor”.

And finally, as Marais avers, “the reproduction of capital still occurs within the framework of regulations and adjustments introduced and managed by the states” (1998:119). But Finger (1996:18), in the paper referred to above, raises eyebrows when he asserts that “everything that is profitable or potentially profitable will be of interest to multinationals. The public sector will only remain active in the non-lucrative activities and sectors, where no private investor can be found”.

It will be interesting to determine the extent to which, if at all, the GEAR strategy allows the South African state to be instrumentalised in the interests of external forces to the detriment of national interest.

### 3.3 Continental Events

Before the advent of democracy in South Africa in 1994, the continent of Africa, and in particular the sub-Saharan region, had been grappling with major experiments in the quest for development in the hope that this would help banish poverty, hunger and disease and open a new chapter in the life of the continent – a chapter of prosperity. We look briefly at these experiments in this section and assess the extent of their influence on the content of the macro-economic strategy of GEAR.
Statistical data reflecting the state of countries of sub-Saharan Africa make for depressing reading. According to the UNDP (1997:3) “sub-Saharan Africa has the highest proportion of people in - and the fastest growth in – human poverty. Some 220 million people are income-poor … and it is estimated that by 2000, half the people in sub-Saharan Africa will be in income poverty”. The same UNDP (1997:28) mentions that “of the world’s 23 million people living with HIV/AIDS, more than 90% are in the developing countries”, and that almost two-thirds of all those infected, about 14 million, live in sub-Saharan Africa.

Coupled with the inexorable and steep slide in the economic performance of countries of sub-Saharan Africa, a clear picture of gloom and doom became more and more manifest. To arrest this downward slide and reverse its movement, the World Bank (1981), in an article titled “Accelerated Development in sub-Saharan Africa: An Agenda for Action” (now known as the Berg Report), suggested specific measures to deal with this crisis. These measures combined to constitute what is popularly known today as the Economic Structural Adjustment Programme (ESAP) of the IMF and the World Bank.

The World Bank and the IMF would thenceforward extend financial support in the form of loans to these countries on the condition that they embraced the ESAP. And the ESAP imposed, amongst others, the following prescriptions:

- that all subsidies on basic foodstuffs, medicines, fuel, services and activities such as agriculture, education and health be removed;
- that all State-owned Enterprises (SOEs) be privatised;
- that government spending on such social services as health and education, as well as social security systems, be drastically reduced;
- that the role of the state in the economy of the country be reduced or shrunk considerably;
- that countries devalue their national currencies in order to correct the distorted and inflated values and prices of local commodities; and
- that countries accept that the most efficient and effective regulator of economic life are market forces.
These conditionalities are the same as the demands made on countries by globalisation. Interestingly, these conditionalities are the same as the main pillars of the macro-economic strategy of GEAR. And, based on these conditionalities, Tanzania, Malawi, Lesotho and Zambia implemented their ESAPs from the middle of the 1980s, Mozambique in 1987, Zimbabwe in 1991 and Swaziland in 1995.

Thus, by the mid 1990s, almost all countries in this region but South Africa, Namibia, Angola and Botswana, had implemented the ESAP as the only path towards the rehabilitation and transformation of their economies.

However, after a reasonably sufficient period of engagement with the ESAP, the sub-Saharan countries found their socio-economic and overall conditions even more untenable. Table 1 below defines the crisis more lucidly.

A closer look at Table 1 reveals a grim picture and the sorry state in which the sub-Saharan region finds itself. From this table, it is clear that almost all the development indicators measured project a picture of misery for the region.

In fact, the 1980s is often referred to as the “lost decade” for Latin America and sub-Saharan Africa. Amongst other things, the following are used as a basis for such a conclusion: per capita GDP in sub-Saharan Africa fell by nearly 10% between 1980 and 1990; the real world prices for this region’s major exports – tea, coffee, cocoa and cotton – fell by 50%; capital investments fell by more than 50% in real per capita terms; and the region’s debt as a ratio of GDP had reached 97% by 1989 - by far the highest in the world.

While the IMF and the World Bank adduced evidence to support their conclusion that ESAPs were working, it was clear that this “evidence” told only half the story. Arguing the fact that Zimbabwe and Mozambique achieved, on average, the fastest annual economic growth rates in the sub-Saharan region since their implementation of the ESAPs, while remaining silent about the huge human suffering exacted in order to accomplish such rates of growth does not paint a balanced picture. The debilitating story of absolute poverty, hunger, disease, high rates of infant mortality, ill health and
low life expectancy, amongst others, lies comfortably concealed behind these “successes”. In fact, OXFAM, one international Non-government Organisation (NGO), argues, and has been supported by the UNICEF, that wherever they have been vigorously pursued, the ESAPs have not worked. Instead, the ESAPs have been associated with steep drops in living standards, increasing inequalities and absolute want.

What is more, in prescribing the sale of State-owned Enterprises (SOEs), in a region where the private sector is still largely weak and where, therefore, the public sector remains the main employer, the ESAPs have precipitated unemployment levels of staggering proportions. These, in turn, have led to huge social disruptions and dislocations which require only a small spark to cause a full-blown rebellion in many of the countries of the region.

In Zimbabwe, for example, unemployment levels went up from 20% since independence to 44% during 1994; the price of foodstuffs increased by 516% between 1991 and 1996; and the cost of transport, education and health care went up by 300%. It is noteworthy that the official statistics reveal that the number of jobs lost from the sale of SOEs in Zimbabwe between 1991 and 1995 is estimated to be 57000 (Gumende, 1996:22-23). It is now public knowledge that since 1995 Zimbabwe has become the site of numerous forms of resistance against hunger and unemployment.

In insisting that the state play a progressively diminishing role in the economic life of society and allow this to be regulated by market forces, ESAPs ensured that the state could not function as an effective agent of change. In the circumstances, the national development agenda of countries lay in the hands of market forces which are not known for action in favour of the poor.
## Table 1

**Regional Comparisons of Aggregates of Human Development Indicators – 1998**

<table>
<thead>
<tr>
<th>Development Indicators</th>
<th>Industrial Countries</th>
<th>Arab States</th>
<th>South Asia</th>
<th>Sub-Saharan States</th>
<th>East Asia</th>
<th>S.E. Asia &amp; the Pacific</th>
<th>Latin America &amp; the Caribbean</th>
<th>Eastern Europe &amp; CIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDI</td>
<td></td>
<td></td>
<td></td>
<td>50.6</td>
<td>64.7</td>
<td>69.2</td>
<td>86.7</td>
<td>68.1</td>
</tr>
<tr>
<td>- Life Expectancy (yrs)</td>
<td>74.2</td>
<td>63.5</td>
<td>61.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Adult Literacy Rate %</td>
<td>98.6</td>
<td>56.0</td>
<td>50.5</td>
<td></td>
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<td></td>
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<tr>
<td><strong>HUMAN POVERTY PROFILE (%)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No access to safe water</td>
<td>NONE</td>
<td>21</td>
<td>18</td>
<td>48</td>
<td>32</td>
<td>35</td>
<td>23</td>
<td>NONE</td>
</tr>
<tr>
<td>No access to health services</td>
<td></td>
<td>NONE</td>
<td>13</td>
<td>22</td>
<td>48</td>
<td>12</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>No access to sanitation</td>
<td>NONE</td>
<td>30</td>
<td>64</td>
<td>55</td>
<td>73</td>
<td>45</td>
<td>29</td>
<td>NONE</td>
</tr>
<tr>
<td>Under-weight children under five years</td>
<td></td>
<td>NONE</td>
<td>17</td>
<td>50</td>
<td>30</td>
<td>16</td>
<td>34</td>
<td>10</td>
</tr>
<tr>
<td>Children not reaching grade five</td>
<td></td>
<td>1</td>
<td>7</td>
<td>35</td>
<td>32</td>
<td>8</td>
<td>17</td>
<td>26</td>
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<tr>
<td><strong>FINANCIAL FLOWS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>External Debt (US$ Billions)</td>
<td>NONE</td>
<td>158</td>
<td>173</td>
<td>224</td>
<td>119</td>
<td>278</td>
<td>601</td>
<td>264</td>
</tr>
<tr>
<td>Net ODA received (US$ Millions)</td>
<td>NONE</td>
<td>5.350</td>
<td>5.229</td>
<td>16.578</td>
<td>2.729</td>
<td>4.663</td>
<td>5.571</td>
<td>193</td>
</tr>
<tr>
<td><strong>POPULATION TRENDS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population growth rate 1970 – 1995</td>
<td>0.7</td>
<td>2.8</td>
<td>2.3</td>
<td>2.9</td>
<td>1.6</td>
<td>2.1</td>
<td>2.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Contraceptive Prevalence Rate %</td>
<td>70</td>
<td>37</td>
<td>41</td>
<td>16</td>
<td>82</td>
<td>53</td>
<td>64</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Adapted from UNDP, 1998
As for the performance of the economies of countries of the sub-Saharan region, it is clear that wherever there have been improvements, these have been so limited as to be largely inconsequential. Of huge consequence, though, is that the ESAPs, in diligently ensuring the devaluation of national currencies, have precipitated an inexorable decline in export prices. The immediate effect of this was that, in order to earn the same amount of foreign currency, these countries were now compelled to increase the quantity of their export products by the same percentage by which export prices had been reduced.

In real terms, this meant a devastating diminution in the impact of the economies of this region on the global markets. Combined with the imperative to privatise SOEs, this rendered these SOEs extremely vulnerable to easy take-over by Multinational Corporations (MNCs) – the indigenous national bourgeoisie’s ability to compete for these SOEs had been further eroded by the devaluation of the national currencies. And, in joining the global economy, as the devaluation prescription promises will be the reward, sub-Saharan countries did so not as equals to the rest of the players, but as economic hewers of wood and carriers of water.

What is more, the devaluation of national currencies also served to exacerbate further the condition now popularly known as the *Debt Burden* in sub-Saharan countries. Quoted in the *UNDP* (1996:104) the United Nations Secretary General submitted that “debt is a millstone around the neck of Africa, holding back human development and economic growth”. The burden of debt is regarded as the single most intractable impediment to human development and economic growth in developing countries. But it is worst for the 42 severely indebted low-income countries (SILICs), many of which are also low human development countries and are situated in the sub-Saharan region. Debt servicing is estimated to consume a little more than a third of the revenue of these countries and any delay or omission to pay as required is accompanied by devastating penalties (*UNDP*, 1996:104).

Several consequences flow from this. They include the fact that countries of this region had no choice but to focus on debt servicing, even to the detriment of their national development agendas. However, this begot its own problems, namely that it created conditions for simmering discontent amongst the citizens and, in order
contain or suppress any potential explosion, governments found that they needed to strengthen their military – an expenditure which had no relationship whatsoever with the initiative to alleviate the poverty of the peoples of the region. Thus, debt servicing produced a dynamic which created and recreated conditions that constantly ate away at the capacity of the economies of sub-Saharan countries to deliver.

Another consequence is that “high debt and unpaid arrears … discourage foreign private investment and encourage the flight of domestic savings – both critical sources of the financing needed for human development, economic growth and improved living standards” (UNDP, 1996:104). It might be sobering to note that, according to Onimode (1991), it is the inherent tendency of the Debt Burden to rise at an increasing rate and to fall at a decreasing rate. If this is correct, then it might not be unreasonable to suggest that this burden has become even heavier.

Yet another consequence is that because this burden could only be discharged in foreign currency, particularly the US Dollar, economies of the countries of this region were forced to be outward-looking and decidedly export-driven. They were denied, in this way, the right to consider the inward-looking and import-substitution approaches to the economic development of their countries. In a word, the Debt Burden stripped them of their sovereignty and independence.

All these negatives combined to produce a picture of a region surrounded by certain death. Helpless and defenceless, the sub-Saharan peoples could only walk to their end. But, in 1996 an effort known as the Heavily Indebted Poor Countries (HIPC) initiative was launched. Initially received with much optimism and anticipation, the HIPC initiative “was a major break-through in international efforts to resolve the debt problems of low-income countries” (UNDP, 1998: 100).

In terms of this initiative, creditors accepted the need to establish a debt threshold and endorsed a comprehensive and integrated approach to debt reduction, covering all categories of debt and creditors. However, four years after the advent of the HIPC initiative, countries of the sub-Saharan region are no near to any form of debt relief in spite of their religious adherence to IMF conditions. Ethiopia, Tanzania and Uganda are instructive in this regard. The UNDP (1998:100) argues that:
“In 1997 the Group of Seven (G7) countries responded to East Asia’s crisis with extraordinary resolve, mobilising in a few months more than $100 billion of loans. Equal resolve is now needed for finding the mere $7 billion needed to implement the HIPC initiative in more than 20 African countries”.

The majority of these countries are in sub-Saharan Africa.

The picture that emerges from the above shows consistently that whereas the World Bank reports glowingly about the impact of the ESAPs, case studies have found differently. Thus, for example, case studies of Zambia, Tanzania and Nigeria have shown that the ESAPs exacerbated the economic situation in these countries (Onimode, 1991). Even Ghana, a country hailed by the World Bank as an economic paragon and a success story, was shown to exhibit symptoms of painful failure – a steep rise in the external debt, a sharp decline in real income, a widening gap of inequality and high levels of poverty (Onimode, 1991). In fact, Balogun (1994:89) contends that:

“It is thus not surprising that well over 70% of the population in sub-Saharan Africa is reported to be living below the poverty line … The victims of the economic crises (in SSA) are the persons who lost their jobs as a result of the retrenchment in both the public and private sectors, and the teeming hordes of school leavers and university graduates who cannot be absorbed by the contracting labour market”.

As if to add insult to injury, the UNDP (1997:67) is enfeebling when it states that:

“the HIV/AIDS pandemic is creating a new wave of impoverishment – and reversing earlier gains. Among the 30 countries with declines in Human Development Index values, several suffered these setbacks partly because of HIV/AIDS – Botswana, Burundi, Cameroon, Congo, Kenya, Rwanda, Togo and Zimbabwe. Botswana and Zimbabwe made huge strides during the 1970s and 1980s, but have lost 5-10 years in life expectancy, bringing them back to the 1960s”.
Another devastating disease plaguing the continent and the sub-Saharan region is armed conflict. The conflicts in the Sudan, Sierra Leone, the Great Lakes area which includes the Democratic Republic of Congo, Rwanda, Burundi as well as Uganda, continue to have a debilitating effect on development initiatives.

As Fofana (2000:9), in a journal article, aptly observes: “after nine years of bloody and destructive fighting, Sierra Leoneans know the devastating consequences of conflict on their country’s fledgling development”.

In spite of all this, concrete and profound gains have been achieved in the sub-Saharan region. Partly because of its own growing dynamic and partly as a consequence of a combination of the conditionalities mentioned above, this region has been swept by the winds of democratic reforms, although this has not received much attention from the world community. “Nearly all countries in the region have undertaken democratic reforms and legalised opposition parties”, the UNDP (1998:24) intimates. The UNDP (1996:42) notes that since 1980 opposition parties in 31 countries of this region have been legalised. This report states further that since 1990, 27 multi-party presidential elections have been held in this region – of these, 21 cases were for the first time.

Strengthening this trend, the Organisation of African Unity (OAU), now known as the African Union, in a summit meeting held in July 1999, resolved that it would not support nor recognise the overthrowal of democratically elected governments by means of force. The OAU would not open its doors to leaders of coups d’etats, the summit declared. Whatever concerns may be raised about this resolution, the fact remains that the OAU is going to be judged against it henceforward.

On the Human Development front, a persistent pattern of improvement is discernible. Thus, for example, between 1960 and 1993 life expectancy at birth increased in this region from 40 to 51 years (UNDP, 1996:42). Again, between 1970 and 1995, adult literacy in the region more than doubled – from 27% to 55%. And between 1960 and 1991, the net educational enrolment ratio at the primary level increased from 25% to 50%, and in the same period, a huge advance was made by women, namely that their enrolment ratio at the secondary level quadrupled – from 8% to 32%. Also, women
hold 8% of parliamentary seats, in comparison with their 5% share in South Asia (UNDP, 1996:42).

This then was, and very much still is, the state of the African continent within which South Africa was to operate. It was the state of a continent which had played a crucial role in the liberation struggle for the democratisation of South Africa. It was the state of a continent that expected South Africa not only to provide leadership in a myriad of areas but also, rightly or wrongly, to support countries in the continent both materially and technically.

A comparison between these expectations and the expectations of the citizens of South Africa from the SA government produced an interesting contradiction which the government had to deal with.

### 3.4 National Events

The appropriateness or otherwise of the macro-economic strategy of GEAR will surely be determined by the extent to which it addresses the major problems facing South Africa today. This section traces the origins of some of these problems with a view to bringing them into sharper relief. South Africa was one of the world’s first middle-income countries to explicitly adopt the policy of import-substitution industrialisation in 1925. The initial effect of this was rapid industrial growth and diversification. By the 1960s, though, manufacturing growth began to slow down.

Growing recognition of the limitations of an import-substitution strategy together with concern for an anti-export bias which had developed in manufacturing led to the establishment of the “Reynders Commission of Enquiry” in 1971. The report of this Commission emphasised the need to introduce export promotion measures in order to both overcome the anti-export bias and to expand exports, but made no recommendations as to the liberalisation of the import regime.

Thus, the import regime remained protectionist, retaining and even extending a complex protective tariff and import control structure. However, renewed attempts
were made to reform the trade regime during the 1980s, and in 1990 another major effort was undertaken to stimulate exports through the introduction of the *General Exports Incentive Scheme (GEIS)*. This consisted of a tax-free subsidy to exporters depending on the value of the exports, the degree of processing and local content, as well as some protection against exchange rate fluctuations. The scheme was relatively successful in fostering natural-resource-intensive manufacturing exports, while labour-intensive sectors took less advantage of it.

The political changes in the early 1990s marked the start of a major shift towards trade liberalisation. South Africa became a signatory of the *Marrakesh Agreement* of the then GATT in 1994, which led to a five-year tariff reduction and rationalisation programme. This programme took effect in January 1995. The World Trade Organisation (WTO) has now replaced GATT.

It is interesting to note that the tariff reduction programme envisaged the phasing out of tariffs to levels below the WTO-binding levels. Equally noteworthy is the fact that the new tariff programme not only exceeded WTO recommendations, but also found concrete backing in the 1996 macro-economic strategy of GEAR.

Thus, when South Africa entered the period of transition from Apartheid to democracy, it did so with an economy battered by almost two decades of worsening difficulties which manifested after the 1973 oil shock. While the mainstream establishment economists were encouraged by, and in turn encouraged South Africa about, the sporadic cyclical upswings that took place, such as the gold-led improvements of 1979-1980 and the temporary consumption-led upturn of 1983-1984, macro-economic indicators, as Marais contended, “betrayed the onset of a structural crisis” (1998:100).

Marais captures this crisis in:

- “the feeble GDP growth rate, which descended from its 6% average during the 1960s to 1.8% in the 1980s, eventually plunging into the negative range (-1.1%) in the early 1990s;
• declining rates of gross fixed investment (which plunged as low as −18.6% in 1986, and stayed negative from 1990-1993), and high rates of capital flight;
• low rates of private investment which led to under-utilisation of manufacturing plant capacity (dropping from 90% in 1981 to 78% in 1993) and declining competitiveness;
• plummeting levels of personal savings which as a proportion of disposable income, dropped from 11% in 1975 to 3% in 1987;
• very high unemployment, and the economy’s inability to create enough new jobs to absorb even a fraction of new entrants into the labour market, a trend exacerbated by under-investment in labour-intensive sectors; and
• chronic balance of payments difficulties” (1998:100).

In a word, the crisis reflected the structural collapse of an economy based on the export of primary products, on endogenous industrialisation, including the strategy of import-substitution, and on a violently regimented labour supply. And all this combined to produce throttled growth of domestic demand, inhibited productivity and reinforced a severe shortage of skilled labour. The economy was bedridden indeed.

3.4.1 Development and Human Development in South Africa: Critical Features

While the World Bank (1995:316) classifies South Africa as a middle income country, the truth is that the overwhelming number of the people of this country live in absolute poverty which is similar to that into which the poverty-stricken peoples of sub-Saharan Africa are mired. And, as Whiteford et al. (1995:1) pointed out, “the Reconstruction and Development Programme (RDP) was formulated in response to this situation, and aims to alleviate poverty and reduce inequality among races and between rich and poor”.

3.4.1.1 Human Development Indicators

In order to compare South Africa with countries with similar income levels, the so-called middle-income countries, we look at several human development indicators. Table 2 below reflects these.
Table 2

Comparison of Social Indicators from Selected Middle Income Countries - 1997

<table>
<thead>
<tr>
<th>Social Indicator</th>
<th>Poland</th>
<th>Thailand</th>
<th>Venezuela</th>
<th>Botswana</th>
<th>Brazil</th>
<th>SA</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP per capita (US$ 1994)</td>
<td>2410</td>
<td>2410</td>
<td>2760</td>
<td>2800</td>
<td>2970</td>
<td>3040</td>
<td>3480</td>
</tr>
<tr>
<td>Life expectancy – yrs</td>
<td>72</td>
<td>69</td>
<td>71</td>
<td>68</td>
<td>67</td>
<td>64</td>
<td>71</td>
</tr>
<tr>
<td>Infant Mortality Rate (per 1,000 live births)</td>
<td>15</td>
<td>36</td>
<td>32</td>
<td>34</td>
<td>56</td>
<td>49</td>
<td>12</td>
</tr>
<tr>
<td>Adult Illiteracy Rate (% of people 15 years and over)</td>
<td>n/a</td>
<td>6</td>
<td>9</td>
<td>30</td>
<td>17</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>Total Fertility Rate (births per woman)</td>
<td>1.8</td>
<td>2</td>
<td>3.2</td>
<td>4.5</td>
<td>2.8</td>
<td>3.9</td>
<td>3.4</td>
</tr>
</tbody>
</table>


It is very clear from the table above that the use of per capita GNP as the sole indicator of the development of a country is misleading indeed. The table shows that all the countries to the left of South Africa have a lower per capita GNP. Yet they perform much better than South Africa on indicators such as life expectancy, infant mortality and adult illiteracy (May, 1998:19). This suggests that while the per capita GNP may compare even more favourably than many middle-income countries, South Africa has a large population mired in Third World conditions. The clarion call to the GEAR strategy is very clear.

Also, these indicators conceal many other crucial dimensions, such as, for example, differences between races in South Africa. Table 3 below highlights this situation, but also includes maternal mortality rates to measure the well being of women.

While the infant mortality rate in 1994 was 7.3 per 1000 for whites, it was 54 per 1000 Africans, having increased tremendously from 48.3 in 1990. The 54 per 1000 in 1994 for Africans is on par with Zimbabwe and Kenya. The same can be said about all other social indicators (May, 1998:20). It may be pertinent to mention that, according to the UNDP, 1999, the pandemic of HIV/AIDS has virtually eaten away South Africa’s life expectancy from 61 years to 51 years.
Table 3

Comparison of Social Indicators by Race – 1996

<table>
<thead>
<tr>
<th>SOCIAL INDICATOR</th>
<th>WHITE</th>
<th>COLOURED</th>
<th>INDIAN</th>
<th>AFRICAN</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant Mortality Rate (1994) per 1,000 live births</td>
<td>7.3</td>
<td>36.3</td>
<td>9.9</td>
<td>54.3</td>
<td>48.9</td>
</tr>
<tr>
<td>% of deaths 5 yrs &amp; younger</td>
<td>12</td>
<td>19</td>
<td>13</td>
<td>20</td>
<td>-</td>
</tr>
<tr>
<td>Male Life Expectancy at Birth (1990), years</td>
<td>69</td>
<td>59</td>
<td>64</td>
<td>60</td>
<td>62</td>
</tr>
<tr>
<td>Female Life Expectancy at Birth (1990), years</td>
<td>76</td>
<td>65</td>
<td>70</td>
<td>67</td>
<td>68</td>
</tr>
</tbody>
</table>


3.4.1.2 The Measurement of Income Inequality in SA: the Gini Coefficient.

It might be interesting to look at how income inequality measures in South Africa. This information should reflect the magnitude of the problem that the GEAR strategy must confront. The Gini Coefficient is one of the instruments/tools used to measure income inequality.

The Gini Coefficient “serves as the starkest indicator of South Africa’s unequal distribution of income” (May, 1998:23). For a considerable period of time, South Africa’s Gini Coefficient was the highest in the world. However, the World Development Report of 1996 lists South Africa’s Gini Coefficient as second only to Brazil. At 0.58 South Africa’s Gini Coefficient is extremely high and indicates a very skewed distribution of income.

It is necessary to explain that a Gini Coefficient of 0 signifies absolute equality, whereas 1 indicates absolute inequality or concentration. Reflecting the interesting view of Whiteford & McGrath, May (1998:23) stated that the apparent lack of
movement of the Gini coefficient between 1975 and 1991 conceals the fact that during this period the rich got richer and the poor became poorer. Stretched a little further, this view suggests that this pattern is discernible both between and within race groups.

3.4.1.3 Income Shares.

Another method by which to express the degree of inequality in a country is to examine the income shares of deciles of households. Using this method, Table 4 below reflects the striking extent of inequality.

Table 4

**Comparison of richest and poorest -1995**

<table>
<thead>
<tr>
<th>% OF HOUSEHOLDS</th>
<th>% OF POPULATION</th>
<th>% OF INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest 40% of households</td>
<td>50</td>
<td>11</td>
</tr>
<tr>
<td>Richest 10% of households</td>
<td>7</td>
<td>40</td>
</tr>
</tbody>
</table>


According to this Table, “the poorest 40% of households, equivalent to 50% of the population, accounts for only 11% of total income, while the richest 10% of households, equivalent to only 7% of the population, accrue over 40% of total income” (May, 1998:24).

3.4.1.4 The Extent and Distribution of Poverty: Where are the Poor?

Table 5 below shows that the overwhelming majority of the poor live in the rural areas of South Africa. The poverty share of rural areas (i.e. the percentage of poor individuals living in rural areas) is 71.6%. The poverty rate in rural areas (i.e. the percentage of individuals classified as poor) is about 70.9%, compared with 30% in urban areas.
Table 5

Rural/Urban Distribution of Poverty - 1995

<table>
<thead>
<tr>
<th>Location</th>
<th>population share(%)</th>
<th>poverty share (%)</th>
<th>poverty rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>50.4</td>
<td>71.6</td>
<td>70.9</td>
</tr>
<tr>
<td>Urban</td>
<td>49.6</td>
<td>28.4</td>
<td>28.5</td>
</tr>
<tr>
<td>All</td>
<td>100</td>
<td>100</td>
<td>49.9</td>
</tr>
</tbody>
</table>


3.4.1.5 The Provincial Poverty Situation

To isolate for particular attention those provinces requiring immediate intervention, it is useful to consider how poverty has distributed itself amongst provinces. Table 6 below shows that the Eastern Cape and the Free State provinces have amongst the highest poverty rates. In these provinces, almost three-quarters of the population are poor. However, Gauteng and Western Cape provinces, stand on the opposite side of the poverty rate continuum.

Table 6

Provincial Poverty Rates & Income Share - 1995

<table>
<thead>
<tr>
<th>PROVINCE</th>
<th>POPULATION SHARE(%)</th>
<th>INCOME SHARE (%)</th>
<th>POVERTY RATES(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Cape</td>
<td>9</td>
<td>14.2</td>
<td>28</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>16.2</td>
<td>6.5</td>
<td>70.7</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>1.4</td>
<td>0.9</td>
<td>55</td>
</tr>
<tr>
<td>Kwazulu Natal</td>
<td>21.3</td>
<td>17.3</td>
<td>51.9</td>
</tr>
<tr>
<td>Free State</td>
<td>7.1</td>
<td>8.4</td>
<td>63.4</td>
</tr>
<tr>
<td>Northern Province</td>
<td>13</td>
<td>4.3</td>
<td>59.1</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>7.1</td>
<td>7.3</td>
<td>57.3</td>
</tr>
<tr>
<td>North-West Province</td>
<td>7.6</td>
<td>5.4</td>
<td>62.1</td>
</tr>
<tr>
<td>Gauteng Province</td>
<td>17.2</td>
<td>35.6</td>
<td>17.3</td>
</tr>
</tbody>
</table>

3.4.1.6 The Profile of Unemployment in South Africa.

Any attempt at addressing unemployment and poverty can succeed only if it is informed by a clear understanding of the characteristic features of poverty and unemployment themselves. It is important to appreciate the fact that “there are two unemployment rates in use in South Africa. The ‘narrow’ unemployment rate requires persons not only to be available and willing to work, but also to have actively sought employment during the month prior to the survey in order to be counted as unemployed” (ILO, 1999:7).

Although this ‘narrow’ definition of unemployment is consistent with the recommendations of the ILO, the view is strongly held that a broader definition might be appropriate for South African conditions and circumstances. Accordingly, a broader definition of unemployment would thus include all persons who are not working, but are willing to work, regardless of whether they have actively sought employment during the month of reference (ILO, 1999:7). We propose to use this definition in this presentation.

According to May (1998:82), there are six categories of the unemployed, and each calls for a different strategy to effectively address their plight. These categories are:

“Group a: poorly educated rural unemployed (28%);
Group b: poorly educated urban unemployed (13%);
Group c: young unemployed with no labour market experience (36%);
Group d: long-term unemployed with no labour market experience (6%);
Group e: those with labour market experience and some education (15%); and
Group f: highly educated unemployed (1%)” (May, 1998:82-83).

Table 7 below shows the share of the six categories of the unemployed in the unemployment matrix.
Table 7

The Unemployment Profile – 1997

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>Category a</th>
<th>Category b</th>
<th>Category c</th>
<th>Category d</th>
<th>Category e</th>
<th>Category f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number</td>
<td>768000</td>
<td>351000</td>
<td>985000</td>
<td>174000</td>
<td>408000</td>
<td>32400</td>
</tr>
<tr>
<td>% unemployed</td>
<td>28.2</td>
<td>12.9</td>
<td>36.2</td>
<td>6.4</td>
<td>15</td>
<td>1.2</td>
</tr>
<tr>
<td>% of Female</td>
<td>60.1</td>
<td>51.7</td>
<td>56.5</td>
<td>48.5</td>
<td>48.5</td>
<td>53.7</td>
</tr>
<tr>
<td>% of African</td>
<td>98.9</td>
<td>86.1</td>
<td>92.3</td>
<td>88.2</td>
<td>88</td>
<td>93</td>
</tr>
<tr>
<td>% of Coloured</td>
<td>0.9</td>
<td>13.6</td>
<td>7.1</td>
<td>11.1</td>
<td>11.1</td>
<td>5.4</td>
</tr>
<tr>
<td>% of Urban</td>
<td>45.9</td>
<td>60.9</td>
<td>60.9</td>
<td>50.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Cape</td>
<td>0.4</td>
<td>12.1</td>
<td>5.5</td>
<td>9.2</td>
<td>9.2</td>
<td>11.7</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>22.5</td>
<td>21.2</td>
<td>18.6</td>
<td>22</td>
<td>22</td>
<td>22.1</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>0.6</td>
<td>5.6</td>
<td>2.1</td>
<td>2.3</td>
<td>2.3</td>
<td>0</td>
</tr>
<tr>
<td>Free State</td>
<td>5.2</td>
<td>11.7</td>
<td>7.2</td>
<td>9</td>
<td>9</td>
<td>7.6</td>
</tr>
<tr>
<td>KwaZulu Natal</td>
<td>26.3</td>
<td>10.4</td>
<td>24.5</td>
<td>15.3</td>
<td>15.3</td>
<td>19.6</td>
</tr>
<tr>
<td>North West</td>
<td>14</td>
<td>10.1</td>
<td>8.9</td>
<td>12.6</td>
<td>12.6</td>
<td>5.1</td>
</tr>
<tr>
<td>Gauteng</td>
<td>0.7</td>
<td>20.4</td>
<td>12</td>
<td>17.9</td>
<td>17.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>0.6</td>
<td>6</td>
<td>10</td>
<td>6.9</td>
<td>6.9</td>
<td>11.9</td>
</tr>
<tr>
<td>N.Province</td>
<td>20.7</td>
<td>2.6</td>
<td>11.3</td>
<td>4.8</td>
<td>4.8</td>
<td>18.2</td>
</tr>
</tbody>
</table>


A closer scrutiny of Table 7 reveals that:

- “groups a) and d), possibly the two groups who have the greatest difficulties in getting into formal sector employment, make up 34% of the unemployed poor…, with the vast majority consisting of the rural poorly educated unemployed poor;

- groups b) and c), the urban poorly educated and the young unemployed with no job experience, make up nearly 50% of the broadly unemployed poor…;

- groups (e) and (f), probably the ones most easily placed when labour market opportunities increase, make up 16% of the broadly unemployed poor…” (May 1998:83).
The balance sheet is very eloquent on the state and the profile of development and human development in South Africa. It maps out the route that the GEAR strategy can take, and identifies signposts as indicators to confirm that direction. The recently released *UNDP* 2001, underscores this point. It “highlights the need for SA to improve performance in the areas of education, the elimination of poverty and [the] provision of basic health services” (*Business Day*, 11 July, 2001).

We conclude this chapter with a brief exploration of the Reconstruction and Development Programme (RDP) – a programme put forward both before and after the 1994 democracy elections as the solution to the problems highlighted in this chapter. The RDP was, in fact, the broad policy framework within which the GNU operated post 1994 until 1996 when the GEAR strategy came into force.

### 3.5 The Reconstruction and Development Programme (RDP)

Given the myriad of problems mirrored in the section above, it was clear that a tool either to resolve these problems or, at least, to mitigate their consequences was required. The RDP emerged as such a tool.

The impetus for the RDP originated from the labour movement, particularly the National Union of Metal Workers of South Africa (NUMSA). Initially envisaged simply as a set of socio-economic benchmarks against which to measure the performance of the new government, the RDP grew in status to become the main overarching socio-economic framework governing the work of the GNU. This prevailed between 1994 and June 1996 when the GEAR strategy stepped in.

The *RDP* Base Document, as its originators called it, undertook to:

- “create 2.5 million new jobs in 10 years;
- build one million low-cost homes by the year 2000;
- provide electricity to 2.5 million homes by the year 2000, doubling the number of households with such access from the then 36 per cent;
- provide running water and sewage systems to one million households;
• redistribute 30 per cent of agricultural land to small-scale black farmers within five years;
• shift the health system from curative services towards primary health care, with free medical services for children under six years and pregnant women at state facilities – by 1998, all South Africans were to receive their basic nutritional intake, thanks to school-feeding and other schemes;
• provide 10 years of compulsory, free education as well as revise the curriculum, reduce class sizes and institute adult basic education and training programmes;
• extend infrastructure through a public works programme; and
• restructure state institutions to reflect the racial, class and gender composition of SA society” (Marais,1998:180).

However, when the RDP White Paper was released the architects of the RDP Base Document decried bitterly the extensive mutilation of the major pillars of the RDP as originally conceptualised. These pillars comprised: Meeting Basic Needs, Developing Human Resources, Building the Economy, Democratising the State and Implementing the RDP.

To be sure, as Marais (1998:179) intimated, “the RDP metamorphosed from being the programme of the ‘democratic forces’ to becoming the policy framework for a government of national unity. The result was a programme that was ‘less what it is, than what it might become’, as Canadian analyst John Saul noted at the time”.

Marais argued further that the RDP White Paper

“contained an amalgam of development approaches – mixing neo-liberal prescriptions with some residual Keynesian regulation, corporatist processes with a ‘people driven’ approach, ostensibly firm commitments to redistribution with stern macro-economic strictures. As a road map towards transformation the White Paper pretended to lead divergent social forces to their respective promised land. [And] as the RDP metamorphosed into a programme that established a ‘comfort zone’ between conflicting forces and
interests, intense contestation erupted over its content” (Marais, 1998:179-180).

Rapoo (1996:5) also wrote that “the RDP has lost its meaning and coherence. It has come to mean anything anyone wants it to mean; with a little ingenuity, anything can be made to fit in with the goals of the RDP”.

In support of the aforegoing argument, Adelzadeh and Padayachee contended that “those welcoming the White Paper will share a belief that policies involving any form or degree of effective state intervention are antithetical to economic growth. Sadly, it appears that there are far too many in this latter category inhabiting the corridors of state power in the new South Africa” (1995:1).

Similarly, and although generally enthused by the central direction of the RDP White Paper, South African business was not encouraged by the idea of entrenching union and labour rights, as well as the repeated reference by the RDP White Paper to the centrality of the role of the state.

SACOB’s Raymond Parsons reflected this attitude when he stated that the “pre-election RDP belonged to the ANC, but the private sector now also owned it and wanted it to succeed” (Cape Times, 27 July, 1994).

And Minister of Trade and Industry, Erwin (1994:42), articulated the inner feelings of business when he suggested that “the programme to meet basic needs will in fact open new opportunities for the private sector to take up a wide range of economic activities, and for market forces to come into play in areas where they never operated”.

But Marais (1998:181) also makes the point that “noble as its objectives … were, the Base Document hardly represented a development programme. Its various elements were left unintegrated, leaving unexpressed, for example, the impact of land reform on rural economic strategy or the effect of a national minimum wage on sectoral investment and employment trends”.

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In his preamble to the *RDP White Paper*, President Mandela committed the Government of National Unity to:

- “the gradual reduction in the fiscal deficit, thereby avoiding the debt trap;
- ensure that recurrent government expenditure does not increase in real terms;
- reduce government dissaving over time;
- changing the ratio of government spending towards increased capital expenditure;
- financing the RDP primarily through restructuring the national, provincial and local government budgets to shift spending, programmes and activities to meet RDP priorities;
- reorganise and train the civil service to ensure effective and efficient services to all citizens and progressive cost savings; [and]
- develop our human resources, facilitate labour market reform and establish effective collective bargaining-based rights for all” (GNU, 1994:4).

Emphasising this thrust, Deputy President Thabo Mbeki told Parliament during the budget debate in July 1994, that:

“the government is committed not to increase the tax burden, which could impact on revenue and was also committed to reducing the budget deficit. The government’s capacity to deliver on the RDP depends on the economic growth rate” (Marais; 1998:182).

It is clear from both President Mandela’s as well as Deputy President Mbeki’s statements that the core prescriptions of the strategy of GEAR had struck their roots in the body of the *RDP White Paper*. The further elaboration of these prescriptions were to shape these roots into the pillars upon which the GEAR strategy now stands.

### 3.6. Conclusion

It appears from the exploration of the various contexts above that whether we like it or not, South Africa is part of the international community of nations, and that we cannot
exist in isolation. The implication of this is that even as we develop home-grown responses to problems facing us, we will not be able to ignore completely exogenous factors. These certainly have a bearing on the shape and even the content of our solutions.

As will become clear in the next chapter, where the GEAR strategy will be explored, economic growth had indeed come to overshadow human development.
CHAPTER 4

The Growth, Employment and Redistribution (GEAR) Strategy

4.1 Introduction

The Growth, Employment and Redistribution (GEAR) strategy is the macro-economic framework of the ANC-led Government of National Unity (GNU) and was adopted in June 1996. It is the product of both bilateral and multi-lateral discussions and debates within as well as outside of the African National Congress. It provided the battleground between those who saw it as a serious threat to the Reconstruction and Development Programme (RDP) Base Document and those, regarded as conservative, who supported it.

Those who opposed it, saw the GEAR strategy as a substitute to the ‘people-centred’ RDP, while those who supported it saw it as the means by which to keep the RDP dream alive. Opponents of this strategy within the ANC argued that the RDP focus on poverty issues would certainly be lost in the search for fiscal stringency. Those who supported this strategy charged that the RDP was awfully inadequate as a macro-economic framework – it was silent on such key macro-economic variables as inflation, growth and unemployment. Accordingly, they argued further, a macro-economic strategy had become an imperative.

The establishment of the Department of Economic Policy (DEP) within the ANC in 1990 to create a framework for economic policy development, and the subsequent setting up of the Macro-Economic Research Group (MERG) in 1991 reflected, on the one hand, the ongoing economic struggle within the ANC and, on the other, the growing recognition by the ANC of the inadequacies of their own economic framework.
At around the same period, big business had begun to organise countless economic scenario planning exercises. These were intended as platforms to debate, negotiate and build consensus on the economic imperatives of the moment. The first such exercise was Nedcor/Old Mutual’s *Prospect for a Successful Transformation*. This was followed by Sanlam’s *Platform for Investment Scenario* and then the *Mont Fleur Scenarios*. The South African Chamber of Business’s (SACOB) *Economic Options for South Africa*, a scenario document, also featured in these exercises.

While these scenarios differed in their prescriptions on non-fundamental aspects, they all shared without exception the view that economic policy had to be grounded in relationships of trust, negotiation and consensus-building in much the same way that the political settlement had been reached.

The main point of contention revolved around the overarching theme of the *Discussion Document on Economic Policy* of the ANC’s Department of Economic Policy. The theme of this document was *Growth through Redistribution* and was understood to mean that redistribution would become the spur to growth whose benefits would then be redistributed to satisfy basic needs (Marais, 1998). Big business together with establishment economists argued that the inevitable spending spree by the state in order to effect redistribution would overheat the economy, cause foreign exchange shortages, lead to local currency devaluation, raise the levels of inflation, worsen the state of indebtedness and reduce real wages.

However, in the view of Bond (1996: 22), “the scenario exercises reflected the desires of the masters and carefully hand-picked participants to come up with a deal – rather than with good analysis”. Also, as Marais (1998: 150) avers, the core thrust of these exercises was to demonise as ‘macro-economic populism’ any effort to anchor future economic policy in the relationship between growth and redistribution.

But, by 1994 the struggle for a macro-economic framework had been lost to economic orthodoxy. The April 1992 ANC Policy Conference had signalled this fact. “Its draft policy guidelines … had been stripped of references to higher corporate taxes, made no mention of restructuring or regulating the financial sector, and mooted the possibility of privatisation in the public sector…” (Marais, 1998:154).
And when the GEAR strategy was adopted, big business hailed the step as a crucial prerequisite for placing South Africa on the threshold of the new millennium. The discussions and debates around this strategy to which we now turn make for very interesting reading.

4.2 The GEAR Strategy: Discussions and Debates

A thorough-going assessment of the prevailing economic trends during the mid-nineties, commissioned by the then Ministry of Finance, revealed that an average growth rate of, at best, 3% per annum could be expected over the next five years. Although this represented a considerable improvement on the performance of the economy in the previous two years, it fell far short of the goals South Africa had set itself (GNU, 1996).

This assessment found, firstly, that, in the context of the 3% growth, it was doubtful whether annual job creation in excess of 100,000 would be possible over the next five years. It found that, again in the context of the 3% growth, the rate of unemployment would certainly rise by some 5% to about 37% by 2000.

Secondly, this assessment found that the scope for increased public spending on social services would be severely restricted by the extent of this growth rate. This would be further exacerbated by the ever-increasing rate of population growth. And thirdly, the prevailing balance of payments situation remained a structural barrier to accelerated growth, it was found. This situation was not helped by the prevailing exchange rate instability which contained the threat of the flight of capital out of the country, which would result in a balance of payments crisis.

These circumstances called for a firm and focused macro-economic strategy with an unwavering commitment to dealing with these difficulties. GEAR was put forward as such a strategy.

“The strategy set out in this document seeks to remove uncertainty, give clear direction to the economic course on which South Africa is headed, and invite
Government’s social partners to join in the building of a competitive fast-growing economy” (GNU, 1996:21).

To accomplish this, the GEAR strategy developed core pillars. These were:

- “a renewed focus on budget reform to strengthen the redistributive thrust of expenditure;
- a faster fiscal deficit reduction programme to contain debt service obligations, counter inflation and free resources for investment;
- an exchange rate policy to keep the real effective rate stable at a competitive level;
- consistent monetary policy to prevent a resurgence of inflation;
- a further step in the gradual relaxation of exchange controls;
- a reduction in tariffs to contain input prices and facilitate industrial restructuring, compensating partially for the exchange rate depreciation;
- tax incentives to stimulate new investment in competitive and labour absorbing projects;
- speeding up the restructuring of state assets to optimise investment resources;
- an expansionary infrastructure programme to address service deficiencies and backlogs;
- an appropriately structured flexibility within the collective bargaining system;
- a strengthened levy system to fund training on a scale commensurate with needs;
- an expansion of trade and investment flows in Southern Africa; and
- a commitment to the implementation of stable and co-ordinated policies” (GNU, 1996:2).

With these core pillars in place, the GEAR strategy projected the attainment of a 6% growth rate per annum as well as the creation of 400 000 jobs per annum by the year 2000. It saw non-gold export growth rising to 10% per annum over the same period. It projected a private sector investment averaging some 12% between 1995 and 2000. Resulting from the reduction in government consumption expenditure relative to GDP, a rise in gross domestic saving from 18% to 22% of GDP was projected. Gross
domestic investment was expected to increase from 20% to nearly 26% of GDP in the year 2000 (GNU, 1996).

In the Policy Framework for an Accelerated Agenda for the Restructuring of State-owned Enterprises, a policy document adopted in 1999 and revised in 2000 by the Ministry of Public Enterprises, the case is made for restructuring and privatisation, both of which are called for in the GEAR strategy. To be sure, the Ministry contends that:

“Internationally, during periods of active privatisation in developing countries, gross privatisation proceeds averaged 1.5 per cent of GDP a year, and net privatisation proceeds accruing to the budget averaged 0.75 per cent. In South Africa, this translates into gross proceeds of approximately R12 billion per year at 1999 prices, with net proceeds to the fiscus of around R6 billion a year” (GNU, 1999a: 22).

This Policy Framework document also argued that restructuring was likely to lead to a substantial inflow of capital related to equity sales and of private investment into infrastructure expansion; that portfolio capital inflows would also increase in response to better growth prospects and increased stock market capitalisation; that capital inflows would lessen the constraint that the balance of payments placed on economic growth; and that these inflows reduced lower interest rates through lower risk premiums, which supported investment further.

It argued further that, with regard to Government’s restructuring strategy, “there will be some direct job losses in the short to medium term, but these should be offset by new employment opportunities in the medium to longer term, resulting from additional investment and growth in other sectors”.

In its document titled Extracts from key Policy Documents on Trade and Industrial Policy, the Department of Trade and Industry (DTI) conceded that there was nothing in GEAR on empowerment. But it hastened to add that “though GEAR did not address empowerment, the DTI began to establish the National Empowerment fund,
and help(ed) to manage empowerment shares of restructured state enterprises” (GNU, 1999b: 4).

In its Budget Review of April 1997, the South African Chamber of Business (SACOB) articulated its attitude to and concerns about the macro-economic strategy of GEAR in a memorandum titled Implementation of the GEAR Strategy. In it, SACOB reaffirmed business’s commitment to the GEAR strategy. It declared that “SACOB fully supports the GEAR strategy and its associated objectives that are designed to improve the quality of life of all South Africans” (SACOB, 1997:12).

Key to the GEAR strategy is the role of the private sector. The GEAR strategy suggests that, in the final analysis, its projections of growth and increasing economic life depend on massive private sector investment in the economy. This explains its diligence in creating an optimal climate for private investment. Marais (1998:163) strengthens this view when he contends that this “strategy unloaded the duty of economic salvation squarely onto the shoulders of the private sector – not only as the source of private investment but also through partnerships in the public sector (created by a programme of privatisation)”.

In an article titled From the RDP to GEAR: The Gradual Embracing of Neo-Liberalism in Economic Policy, Adelzadeh, a senior economist at the National Institute for Economic Policy (NIEP), argued that it was impossible for GEAR to realise the goals that it had set itself (1996:1). To be sure, and querying the impression created by GEAR that South Africa was a closed economy and that it now required an outward oriented thrust, Adelzadeh argued that the non-gold export-GDP ratio had risen to 21% by the mid-nineties and that this was 5% above the average export-GDP ratios of the Group of 7 (G7) countries between 1990 and 1994. These figures showed clearly that over the years the SA economy had been producing for the export market. Yet, Adelzadeh concluded, if this could not produce the required growth that GEAR suggested it should, then no amount of outward-looking would be helpful.

Marais (1998:7) agreed with Adelzadeh and contended that there was no “guarantee that if the above described measures are implemented we will achieve the 6% growth and the 400,000 new jobs by the year 2000”. He argued that such results depended on
the type of assumptions that lay beyond the macro-economic policy measures proposed. One of these was political stability. He argued further that, “there is thus no causal linkage between the budget deficit reduction, tariff liberalisation measures, etc, and the assumption that additional foreign direct investment will increase five-fold … in the year 2000”. Adelzadeh (1996:1) strengthened this point when he said that “we are not presented with any evidence that the growth rate can be maintained at 6% and that jobs will be created at the rate of 400,000 per annum”.

As for the need for a faster rate of growth of non-gold exports, as mentioned by GEAR, Adelzadeh contended that GEAR “makes unrealistic assumptions about the probability of export growth” (1996:2). He argued that “the target of an average yearly growth rate of 8.4% for the non-gold export sector, is unrealistic and unattainable, because it implies a 22.7% increase in the export–GDP ratio within the next four years” (1996:2). He observed that such a high increase in the growth rate of the export–GDP ratio within such a time frame had never been seen by any American, European or Asian country since 1996.

Noting that job creation was at the centre of GEAR’s efforts to alleviate poverty and to effect income redistribution, Marais argued that the difficulty lay in GEAR’s belief that increasing employment could be stimulated by introducing wage restraint and flexibility, and the selective deregulation of the labour market. He argued further that this belief was questionable on several grounds, including that “according to the International Labour Organisation (ILO), South Africa already has an extremely flexible labour market where even large scale firms resort to informal forms of employment, through sub-contracting, out-sourcing and use of casual labour” (1998:168). In the same context, Marais intimated that the ILO found that 82% of firms use temporary labour and 45% contract labour.

On GEAR’s use of job creation as the main source of income redistribution, Adelzadeh (1996:3) categorised this as fundamentally wrong for South Africa for two reasons, namely that

“… job increases based on ‘wage moderation’ will actually increase poverty”,

and that “there is a fundamental problem with an approach that assumes that
growth leads to redistribution. The complex linkage between better income
distribution and growth is completely neglected” (1996:3).

Concurring with these points, Marais charged that “GEAR is leap-of-faith economics,
marketed as a bold move to step in line with ‘global standards’” (1998:9). He argued
further that “GEAR is a trickle-down strategy that posits a redistribution of income,
not as a reinforcing dynamic for economic growth, but as its presumed outcome”

It is the view of Adelzadeh that the GEAR strategy represents the “adoption of the
essential tenets and policy recommendations of the neo-liberal framework advocated
by the IMF in its structural adjustment programmes” (1996:4). He argued that it
“represents a recourse to the policy goals and instruments of the past apartheid
regime, and to the failed adjustment strategies being imposed on other countries under
IMF and World Bank tutelage” (1996:5).

Nevertheless, many senior Ministers of government have, in different contexts,
posited the following arguments in defence of GEAR that, “we either participate in
the global economy, or we withdraw into isolation. …No country, not even the United
States, retains its economic sovereignty…We have no choice but to step in line with
global standards…Experience everywhere shows that the state stands in the way of
economic growth” (Marais, 1997:3).

However, it is worth noting the sentiments expressed by the United Nations
Development Programme (UNDP) in its 1999 Human Development Report. It stated
that:

“When markets go too far in dominating social and political outcomes, the
opportunities and rewards of globalisation spread unequally and inequitably –
concentrating power and wealth in a select group of people, nations and
corporations, marginalising the others. When the market gets out of hand, the
instabilities show up in boom and bust economies, as in East Asia and its
worldwide repercussions, cutting global output by an estimated $2 trillion in
1998-2000. When the profit motives of market players get out of hand, they challenge people’s ethics – and sacrifice respect for justice and human rights”.

And when this happens, people and their organisations can be expected to react. The following section explores such reaction with a view to establishing the extent of support for or against the GEAR strategy. This will also help in determining the balance of forces in this regard.

4.3 The GEAR Strategy: The Reaction of Other Social Players

With specific reference to the restructuring of state-owned enterprises, COSATU expressed the following views:

- that restructuring would lead to huge retrenchments and job losses;
- that the threat of the loss of social security benefits, such as pension, medical aid, and other related benefits, was real as restructuring changed the workplace;
- that, as the Secretary General, Mr Shilowa, argued, “in the name of black economic empowerment, they (black entrepreneurs) wish to steal public resources and put them in the hands of a few black individuals” (*Financial Mail*, 22/12/95);
- that, as averred by the National Education, Health and Allied Workers’ Union (NEHAWU), restructuring will create a powerful black middle class which will oppose socialism (*The Star*, 2/01/96);
- that privatisation will not assist significantly in achieving a better life for all. And that if the state’s welfare and service functions are privatised, the government’s programmes for water, electricity and health delivery will inevitably fail. For, only the wealthy will be able to afford basic services and this will undoubtedly spell disaster for our future (*The Star – Business Report*, 24/05/96);
- that restructuring weakened the collective bargaining power of labour and diminished its power in the public sector;
that privatisation led to rule by the Multinational Corporations (MNCs) with the consequent collapse of Small, Medium and Micro enterprises in South Africa; and

that restructuring had no chance of success because it was based on technical processes rather than people.

Interestingly, though, in its discussion paper, titled *Repositioning COSATU to Meet the Challenges of the New Millennium*, and prepared for COSATU’s 1999 Special Congress, the Congress of South African Trade Unions (COSATU, 1999:5) argued that:

- “there is an increasing suspicion of unregulated markets, manifest in the search for measures to control destabilising short-term capital flows, and a renewed appreciation of the key role of the state in economic development;
- the change in international economic thinking is very significant for South Africa’s economic policy. It provides an opportunity for us to shape economic policy, including macro-economic policy, designed to allow the state to play a more assertive developmental role in overcoming our apartheid legacy;
- the crisis (from the Asian Contagion) and its spill over effect forced government to adjust its GEAR targets, in response to sluggish growth; this also led to a frank and honest discussion within the (Tripartite) Alliance and laid the basis or gave hope for a post-GEAR consensus;
- the macro-economic strategy (of GEAR) should be reviewed because it is inappropriate to our conditions and has failed to stimulate the economy”.

This discussion paper also isolated three key areas upon which the Alliance reached consensus on economic policy. These were that:

- the ANC, COSATU and the SACP all took similar positions on the need to prioritise addressing the apartheid social deficit, and that other policies need to be aligned with this approach;
- the ongoing unemployment crisis and the manifest failure of the GEAR framework to achieve its job creation and growth targets, should result in
greater openness on economic policy as underlined in the Job Summit and the ANC’s election manifesto; and

- the global economic crisis has led to a questioning of the IMF and World Bank orthodoxy and this has opened the way for the possible acceptance of a more progressive developmentally oriented approach.

The National Council of Trade Unions’ (NACTU) president, Mr Mdlalose, contended that the restructuring programme would exacerbate the already high levels of unemployment. He warned that this would increase the level of crime in the country (City Press, 10/12/95).

The Azanian People’s Organisation’s (AZAPO) spokesperson, Mr Mohlala, discerned a relationship between the restructuring programme of the GNU and the Structural Adjustment Programme (SAP) of the IMF and the World Bank (WB). He argued that:

“The Mandela/De Klerk dispensation is beginning to show its true colours – an uncaring and inconsiderate authority that is at the behest of the IMF … They (GNU) owe it to the oppressed of this land to show that they owe no allegiance to the hair-brained schemes of capitalist overlords and their masters, the IMF and the WB. Working people should not be victims of structural adjustment plans that were put in place in order to prop up a moribund regime” (City Press, 10/12/95).

The South African Communist Party (SACP), in support of the views of COSATU and AZAPO, launched a scathing attack on the IMF when it charged that:

“In the 1980s, it (the IMF) broke the international campaign to isolate the apartheid regime, providing them with its biggest loan – R4.5 billion” (City Press, 20/10/96).

SACP deputy general secretary, Mr Cronin, asserted that privatisation measures would “… strip government of any effective strategic role in the economy” (Business Day, 24/04/96). In the same article, and in rabid opposition to the GEAR strategy, Cronin charged further that “… we have just installed the beginnings of democracy,
and already we are being asked to replace elected government with an unelected market”.

The ANC, the prime mover of the GEAR strategy, assumed leadership in defence of the strategy. The then State President, Mr Mandela, asserted (Sunday Times, 26/05/96) that “privatisation is the fundamental policy of the ANC, and it is going to be implemented … Just because we (government and COSATU) have a working relationship, and they (COSATU) helped put us in power, does not mean that we are happy with everything they say”.

President Mandela emphasised, in the same article, that government would “go it alone” if a successful partnership between labour, business and government could not materialise. Mandela, clearly angered by the extent of opposition, concluded that, “we cannot afford the luxury of endless to-ing and fro-ing while the country demands urgent change”.

Deputy President, Thabo Mbeki’s quip, “call me a Thatcherite” when he spoke on the GEAR strategy (Sunday Times – Business Times, 16/06/96) reflected the nature of debates doing the rounds in labour as well as in political circles at the time. And the Finance Minister, Trevor Manuel’s bold and controversial announcement that the GEAR macro-economic plan was “non-negotiable” reflected a growing laager-mentality within the ANC and government and only helped to inflame passions and to heighten contradictions between government, on the one hand, and parties to the left, on the other.

In the meanwhile, big business together with political parties to the right of government supported the GEAR plan and its restructuring component. The only concern raised by these parties was the slow pace of the implementation of the plan. Thus, in a statement released to the media, the Inkatha Freedom Party (IFP) said that the fact

“that the ANC has finally realised that governments do not create wealth, but actually consume wealth, is a significant shift in their philosophy. The IFP
welcomes the ANC to the free market system” (*Sunday Independent*, 26/05/96).

In a supportive announcement, the leader of the National Party (NP), Mr De Klerk, said that his previous government had prepared state enterprises for privatisation. He added further (*Saturday Star*, 25/05/96) that “if ever there was a situation in a country where privatisation could be easily implemented, it was in South Africa”. But the NP blamed the ANC for applying brakes in the implementation of privatisation every time labour made a noise (*Sunday Independent*, 26/05/96).

The Democratic Party (DP) saw the need for restructuring of state assets as a means to balance the budget deficit, from the proceeds of such restructuring (*Financial Mail*, 18/08/95).

The South African Chamber of Business (SACOB) together with the Afrikaanse Handelsinstituut (AHI) also urged government to move with greater speed. The AHI (*The Star – Business Report*, 26/03/96) argued that “… privatisation must form part of an integrated and coherent strategy to put the South African economy on the road to robust and coherent economic growth as soon as possible…”

Clearly, these polar opposite positions held mainly by labour and business, became a major source of concern. An ingenious and innovative way out of this dilemma was required. The National Economic, Development and Labour Council (NEDLAC) provided the forum within which to mediate such differences. Established on the 18th February 1995, NEDLAC is a statutory body whose aim is to promote co-operation through negotiation among the three major national players in the country, namely organised labour, business and government. Today, civil society organisations have been accommodated. The focus of such negotiations is labour, economy and development issues as well as challenges relating to the achievement of growth, equity and participation. However, because NEDLAC is only a consultative forum with merely the force of persuasion rather than of law, another instrument became necessary.
The National Framework Agreement (NFA) assumed this role. Set up in February 1996, the NFA institutionalised negotiation procedures on the same issues NEDLAC sought to find consensus around. It set out to define and streamline the path that had to be traversed every time each of these issues needed to be negotiated. Accordingly, organised business, organised labour and government were expected to adhere to the consultative processes and procedures set out in the NFA.

These two institutions were destined to play an important role in the aftermath of the implementation of the GEAR strategy to which this chapter now turns.

### 4.4 The Concrete Impact of the Implementation of the GEAR Strategy

The impact of the GEAR strategy on the socio-economic circumstances of the country can be better understood only within the context of the performance of the global economy. In this regard, and first, while the ‘Asian Contagion’ which resulted from the collapse of the financial markets in countries known as the ‘Asian Tigers’ wreaked havoc in the economies of almost all developing countries, the damage caused to the South African economy was minimal.

Second, in joining the WTO in 1994 and in committing itself to a tariff reduction programme far stricter than that imposed by the WTO, South Africa created a climate attractive to international trade. As will become clear below, this state of affairs was destined to have an aggravating effect on many sectors of the economy in this country.

Third, the institution of and strict adherence to non-tariff barriers such as anti-dumping legislation and countervailing measures by developed countries, particularly the US and the EU, has had an undermining effect on the export performance of the South African economy.

Fourth, the more than four years EU-SA development and trade negotiations which continued to defy conclusion painted an unsavoury picture of developed countries, particularly as it related to access to their markets by developing countries.
And fifth, the sale of gold reserves by the Central Bank of the UK and the subsequent declaration of intent by the IMF to sell off 10 million ounces of its gold reserves in order to fund its debt-relief programme in favour of *Highly Indebted Poor Countries (HIPC)*, has had a devastating impact on the gold mining sector of the economy of South Africa.

These are some of the developments that combined to form a global context for the South African economy. The macro-economic strategy of GEAR could only make sense within such a context. It is this context which created and ripened the conditions for the running battles, the skirmishes and the rolling mass actions that were to erupt between labour, supported by civil society organisations, on the one hand, and government, on the other.

We proceed to deal with each one of these developments, reflecting on the impact that each has had on the performance of the South African economy.

First, the ‘Asian Contagion’ precipitated the immediate withdrawal of speculative capital, including investment capital, from the emerging economies including South Africa. This development occasioned disturbing volatility in the economies of the countries concerned, insecurity on the part of the investor community and a drop in confidence and the rating of these economies. In South Africa, this phenomenon was used by government, particularly the Finance Ministry, to explain why the GEAR-projected targets could not be realised. In fact, the Finance Minister, Mr Manuel, explained that the country had joined the global economy, that by so doing it had lost its economic sovereignty and that therefore, whatever happens in one corner of the world would necessarily affect our economic performance here at home (*Business Day*, 22/05/98). What the Minister meant was that there were forces in the global economy over which we had no control, but whose impact on our economic performance was decisive.

Second, South Africa’s commitment to a tariff reduction programme whose targets were lower than those prescribed by the WTO may have been an error of analysis. Thus, for example, as the studies undertaken by the ILO (1999:5) indicate:
“As a result of the implementation of the import liberalisation programme, the weighted average of import tariff rates for manufacturing products in 1998 is 5.6% (down from 14% in 1994”).

It is crucial to note that the WTO mandatory tariff rate for manufacturing products is 16.1%, which is to be achieved by the year 2001. Clearly, South Africa had already exceeded this milestone by 1998 and had set itself the target of 4.9% by 2001. South African economic strategists had thought that fast-tracking the tariff reduction programme would kick-start a reasonably high flow of investment into the country. This thinking had clearly missed other more strategic considerations. A department of Trade and Industry discussion document confirms this when it argues that:

“The elimination of trade and investment barriers may only be a necessary and not a sufficient condition for ensuring that markets are genuinely contestable. What liberalisation may grant, restrictive business practices may deny … The concentration of South Africa’s industrial sectors has already been identified as one of the key inhibitors to foreign direct investment” (GNU, 1998:92).

This, clearly enthusiastic but injudicious, tariff reduction programme has had a devastating effect on the domestic industry. Confronted by new players with products whose cost structure was extremely low, companies in, for example, the clothing, textile, and leather product sectors have had either to restructure or to die. In doing so, many workers had to be laid off to join the growing army of the unemployed whose size had begun to assume threatening proportions.

Third, the anti-dumping and countervailing measures adopted and applied by, particularly, the USA and the EU against South Africa’s iron and steel products, reflected the position of privilege and advantage enjoyed by developed countries. Such measures charged that South Africa’s steel exports to the USA were essentially dumped onto the US steel market and constituted unfair competition with the domestic steel-making industry in that they were subsidised by the South African government.
Clearly, this is a clever way of replacing tariff barriers with non-tariff barriers. It is a trick that can be successfully played by wealthy developed countries because it is a route that requires not only financial resources to sustain litigation, but also human resources with an insightful understanding of the workings of the WTO to be effective in prosecuting the charge. Developing countries, of which South Africa is a part, have neither the financial nor the human resources required to prosecute or even to defend such action.

The crucial point is that as a result of these measures, the South African Iron and Steel Corporation (ISCOR) has had to reduce its production capacity and, in doing so, could not avoid laying off many of its workers.

Fourth, and closely related to the third point above, is the free trade and development agreement between SA and the EU, which even after four years, appeared incapable of conclusion. The intractable point remained the refusal by a strong agricultural lobby within the EU to allow South Africa access to its agricultural markets.

Instead, and in order to delay the resolution of this problem, the EU not only demanded that SA discontinue the use of brand names ‘port’ and ‘sherry’ for its wines and spirits – brand names South Africa had been using for more than a hundred years – but also that South Africa open its fisheries to exploration and exploitation by EU member countries. While it should suffice to say that a phased solution to the use of brand names ‘port’ and ‘sherry’ was found between EU and SA, the lingering demand by some EU members that SA be made to undertake to abandon the use of all brand names originating from Europe on its wines and spirits, is disturbing indeed. These are developments which cause uncertainty and, therefore, instability in the agricultural sector in South Africa.

In fact, in a document assessing the impact of the EU – SA free trade agreement, the department of agriculture conceded that the dairy industry, for example, would begin to benefit from this agreement only after “it had made substantial investments to comply with EU sanitary requirements” (Business Day, 17/12/1999). In the same article, the SA Milk Buyers’ Organisation (SAMBO) “threatened to sue both the
government and the EU for R50m to offset possible income losses because of non-tariff measures contained in the free trade agreement” (Business Day, 17/12/1999).

And the fifth development which has had a devastating effect on the performance of the SA economy was the sale of gold reserves by the Central Bank of the United Kingdom. The effect of this announcement was the immediate plummeting of the price of gold on the global market. The price level hit such an all-time low that the viability of gold mining was threatened in SA. A number of gold mines closed down while others teetered on the precipice. A delegation comprising national leadership from the trade union movement and management from the gold mining sector travelled to the UK to seek an accommodation with the Tony Blair government in this matter.

Not only did this initiative fail, but the IMF’s immediate declaration that it intended selling off 10 million ounces of its gold reserves did not do the global gold mining sector any good. The IMF suggested that it sought to use the proceeds from such sales to boost its debt relief programme in favour of the Highly Indebted Poor Countries (HIPC).

The point, however, was that the majority of the HIPC that the IMF sought to assist were themselves dependent on gold mining and would thus be further hit by any release of additional gold reserves to the global market. This situation has since been resolved and the value of gold has accordingly been restored. The point must be mentioned, however, that the gold mining sector was not left unscathed.

All five, both national and international, developments combined to create a climate for the inauguration of a theatre of retrenchments, battles, marches, negotiations, memoranda of understanding and accords among the key players, namely government, private sector, labour and civil society organisations. We must hasten to mention that the privatisation of SOEs had begun long before the adoption by Parliament of the macro-economic strategy of GEAR in 1996. The retrenchments associated with it, therefore, precede the life of GEAR.
In the National Labour and Economic Development Institute (NALEDI), Naidoo (1999:1) mapped a very depressing state of unemployment in the country. He reported that:

“Between 30% and 40% of the workforce is currently unemployed. In the last three years, nearly 400 000 jobs have been lost in the formal, non-agricultural sector of the economy. Labour-intensive sectors, which employ large numbers of unskilled and semi-skilled workers, have been hardest hit. Other workers have seen full-time employment contracts converted into insecure, casual and temporary work”.

The same publication showed that between March 1996 and March 1999, all sectors had suffered job losses except for the wholesale, the retail and the accommodation sectors. These had in fact created jobs, although officially nearly 20% of them are part-time. It also showed that the restructuring of the South African economy led to a decrease in demand for unskilled employees, and increased the demand for highly skilled individuals. This demand for unskilled labour plummeted from 36.4% to 28.3%, according to NALEDI.

In a sector-by-sector analysis of the employment situation, between 1980 and March 1999, it emerged that there had been a steady percentage increase in employment levels in each of the sectors with the notable exception of the transport/storage/communications sectors between 1980 and 1990. The mining sector did not fare well too. The fundamental turnaround, however, occurred between March 1996 and March 1999. But for the conspicuous exception of the wholesale/retail/accommodation sectors, which recorded an 11.9% increase in the employment rate during these three years, all the other sectors registered decreases in employment ranging from 1% to 30% (Naidoo, 1999).

In the public sector, a decrease of 13% in employment levels was experienced between 1995 and 1998 when 169 328 jobs were lost (Naidoo, 1999:2). In the same publication, Hassen (1999:4) argues that:
“one of the reasons we cannot reduce crime is that there are 90% fewer police today than there were in 1994. Fewer people are dealing with a much higher work-load … The Department of Justice says it has over 1000 court vacancies, but there is no money to fill the posts. Prosecutors have less time to prepare cases, and victims of crime have to wait longer periods before judgement is handed down”.

The threat as well as reality of rolling mass action by COSATU towards the end of 1998 and early 1999, reflected the simmering discontent and the growing anger of the masses of the workers. The year 1999 was the year of the second national democratic elections, and the ANC could not afford disunity with its allies, particularly COSATU. A few bosberade, both public and secret, organised by the ANC, not only effectively contained the anger of COSATU, but also secured the federation’s unconditional support at the polls. It is clear that the ANC has been successful at ‘persuading’ the leadership of COSATU into its line of thought and expected it to coerce its followership into supporting that line. For how long the ANC will succeed in this method of work is unknown. What is known, however, is that this cannot go on forever – at a certain point the bubble must burst.

The inevitable confrontation between public sector unions and government in early 2000 on both the wage issues and the Public Enterprise’s Minister Jeff Radebe’s announcement to fast-track the privatisation of SOEs may have been the harbinger of things to come. In fact, COSATU general secretary Zwelinzima Vavi said in support of the SA Municipal Workers’ Union’s (SAMWU) opposition to privatisation elements of Johannesburg’s Igoli 2002 Plan that:

“We are in a fighting mood already. As from March 31, 2000 we begin a programme to defend our jobs up until May … COSATU would refuse to be reduced to a ‘gumboots and overalls union’ as it had a part to play in any restructuring process. Besides representing its members’ interests, it also represented aspirations of unemployed working class families” (Business Day, 20/01/2000).
This is now history. Two national anti-privatisation marches and demonstrations have come and gone, but the restructuring, including the privatisation, of state-owned enterprises, remains intact. The year 2001 has seen one such major action with the threat of another pending – all geared to forcing the state to negotiate the terms of the restructuring process.

However, in an article titled *Growth: not jobless, but skewed*, Mr Bhorat, a director at the Development Policy Research Unit at the University of Cape Town, argues that “the notion that SA has experienced ‘jobless growth’ is wrong…. The economy, in the aggregate, has been creating jobs rather than shedding them… it is necessary to assess the number of jobs created relative to the number of new entrants to the labour market” (*Business Day*, 25/04/2001). According to Mr Bhorat, while employment grew by 12% between 1995 and 1999, translating thereby into 1,1-million jobs, the number of new entrants increased by about 3,1-million individuals.

Concurring with *NALEDI*, Bhorat emphasises the growing influence which economists call “skills-biased technological change”, that is, technological changes in the economy that result in a disproportionate increase in the demand for skilled workers relative to the unskilled.

In a wide-ranging assessment of the performance of the SA economy from 1996 to 1999, COSATU, in the discussion document titled *Repositioning COSATU to Meet the Challenges of the New Millennium*, included the following in its findings:

- that the economy’s annual real growth had been declining since 1996 – from 3.2% to 1.7% and down to 0.1% in 1998, and that negative growth rates had occurred during the final two quarters of 1998 (-2.5% and –0.3%);
- that SA’s real Gross Domestic Product had grown by only 1.8% between 1996 and 1999, well below the population growth rate;
- that real private sector investment had fallen sharply in the three years. The 6.1% growth rate recorded in 1996 had dropped to 3.1% in 1997 and then plunged to negative growth of –0.7% in 1998;
that Foreign Direct Investment (FDI) more than doubled from $760m in 1996 to $1.7bn in 1997, making SA the largest foreign capital recipient in Africa, according to the UNCTAD. However, this rise was linked to privatisation ventures, the restructuring and unbundling of large local conglomerates and to short-term portfolio investment;

that an increasing share of the FDI had been going towards mergers and acquisitions and that these had made up about 60% of FDI in 1997 and had been increasing dramatically since. However, these do not on the whole increase productive capacity nor typically create jobs in the economy;

that the GEAR’s deficit reduction programme had not worked. This had forced the government to adjust and even revise targets for the 1999-2000 financial year. The deficit to GDP ratio was adjusted upwardly from 3% to 3.5% of GDP. But, in the view of COSATU deficit targets should be informed by service delivery rather than the other way round;

that, with regard to the restructuring of state assets, there had been a flagrant disregard of the National Framework Agreement (NFA), for instance in the Eskom Amendment Bill process. And that the unenforceability of the NFA is a problem requiring attention;

that SA’s inflation rate had been between 10 and 20% over the last 30 years and this is considered moderate by World Bank standards. And that the Reserve Bank’s fixation with an austere disinflationary policy which impacts negatively on growth and employment is incomprehensible, considering the current transformation challenges facing the country;

that the major problem with the lifting of exchange controls is that it led to increased mobility of speculative capital in and out of the country, and to domestic capital flight – such flights have destabilising effects on the economy. COSATU contends that government must increase its regulation of financial markets significantly; and

that the unemployment crisis is a product of a stagnant and mismanged economy which had been destroying jobs for over 25 years; capital intensive economic development; insufficient investment in new factories, plant, equipment and people, too much investment in financial speculation instead of
productive investment and high interest rates and global economic problems which deter investment.

As if to mitigate the poor performance of the economy, Rafiq Bagus, the Chief Executive Officer of Trade and Investment South Africa (TISA) explained, in *Reaching Out*, the magazine for the JSE Securities Exchange SA (JSE), that:

> “the sentiment surrounding the New South Africa prompts many of us to believe that the world has a moral obligation to invest with us. But the reality is that on Wall Street and in the boardrooms of Tokyo, the bottom line has the final say. People consider investment destinations for money, period. They are not interested in your RDP or your social objectives until they are turning a profit” (Bagus, 2001:57).

He argues that Malaysia spends $800m on attracting investment while the Irish have a R2bn budget and a staff of about 800 people to promote investment, but that South Africa spends only R300m and expects miracles.

In the same magazine, but in an article written by Peter De Ionno, weekend editor of *Business Report*, reviewing the Southern Africa Economic Summit held in Durban recently, the point is clearly made that the slow pace of the privatisation of state owned assets is regarded as a negative for the region by external business sentiment (De Ionno, 2001).

It is now generally accepted that the essential macro-economic fundamentals are in place in South Africa. However, this achievement has not been rewarded by the inflow of a huge share of the Foreign Direct Investment (FDI), as the GEAR strategy predicted such a state of affairs would attract. Nor is our currency appreciating relative to the weakening US dollar. This is a difficulty that baffles many economists.

The threat of an Argentinian contagion was given as the possible reason why investors were reluctant to engage with emerging economies during the middle of 2001. The deteriorating political and economic situation in neighbouring Zimbabwe coupled with South Africa’s reluctance to publicly adopt a critical stance against Mugabe was
given as another. The fact of the matter is that, in spite of its perfect handling of economic fundamentals, South Africa finds herself becoming more vulnerable. This has now led to the decision by the Reserve Bank to regulate more stringently the country’s exchange controls. Interestingly, this step too has added to the reasons why investors find it difficult to invest in this country.

And the ambivalence with which South Africa implements the restructuring of State-owned Enterprises is put forward as an example of the lack of firmness on the part of government in this connection.

But, it may be refreshing to contemplate the views of Dr Henry Kissinger, the former US Secretary of State. Presenting the *Sixth Independent* lecture at Trinity College in Dublin, he argued that:

“The US and other industrial countries have been forming capital for nearly 50 yrs and have been compounding it annually. This is an advantage that even with perfect politics is not easy to match, … Anybody familiar with the Chinese situation knows that the state enterprises in China are the country’s social security net. If China privatised them, they would have up to 50 to 100 million unemployed. Whether any country can take the pain of such a decision is doubtful” (*Sunday Independent*, 17/10/1999).

After all is said and done, it might not be unfair to conclude this section with the submission that the one concrete and discernible outcome of the early phase of implementation of the GEAR strategy is the unstoppable shedding of jobs, with its attendant problems of crime, family violence, child abuse, drug addiction and all other pathologies which combine to precipitate social dysfunction and dislocation.

Related to the above outcome, but not equally strongly articulated, are the collapse of health-care, the turbulence surrounding the entire education spectrum, as well as the intractable housing problem. To be sure, and due largely to the observance of fiscal discipline or reduced government spending, public hospitals often operate without medicines; children receive education under trees in the open veld, and RDP houses often crack and collapse under the heavy weight of storms.
The other, equally powerful, force to emerge from this phase is the elite black petit bourgeois class, characterised by a passion for a life of luxury, manifesting in the avarice for and the possession of all sorts of articles of ostentation and marked by a clear distance from the masses of the poor. To sustain such a life-style, members of this class find that they cannot do without engaging in acts of corruption. This has become one of the major thorns in the flesh of our country. Former President Mandela has spoken in strong and condemnatory terms about this.

It seems clear, therefore, that as the implementation of the GEAR strategy sinks its teeth deeper into the body of South Africa, fire fighting is bound to be the order of the day. This is so because the debate around GEAR is only now beginning to heat up as the working people begin to experience the insecurities of restructuring and retrenchment; as the youth discover that parents may not be able to afford the costs of tertiary education because of both the privatisation of education and the reduction in government spending on education; as members of civil society find that such basic services as water supply, refuse removal, power supply and others are privatised and have become more and more unaffordable; and as the poor discover that the prospects for relief from their circumstances continue to recede because of the imperative for fiscal discipline.

The public spat between, mainly, the ANC and COSATU around the question of the sale of state assets is the harbinger of things to come. It throws into a collision the working class who suffer the consequences of privatisation and government that must manage the affairs of this country in such a way that the interests of all its people are taken into account.

How this complex field will be navigated is bound to be interesting indeed to watch.

4.5. Conclusion

From a preliminary appraisal of the macro-economic strategy of GEAR, it is possible to conclude that:
the strategy of GEAR is the South African version of the *Washington Consensus* and embraces, accordingly, neo-liberalism in economics;

while calling for the liberalisation of the economy, the originators of the *Washington Consensus* are the ones who are rabidly protectionist. Self-interest remains the driving force;

despite the remarkable achievement of requisite economic fundamentals, the much needed foreign direct investment has not materialised; and

in spite of its promises of a better life for all, the GEAR strategy has benefited only a small section of our population.

As we proceed to the next chapter, which not only concludes this research but also makes projections into the future, faint drums of battle can be heard approaching from the distance.
CHAPTER 5

Conclusion and Projections

5.1 Introduction

This chapter attempts a very difficult task. It attempts to provide a coherent picture out of ideas and the realities they represent extracted from a context which is constantly changing. To be sure, the macro-economic strategy of GEAR is going through implementation difficulties. On the one hand, key international institutions such as the IMF, the World Bank and the World Trade Organisation (WTO) commend South Africa for the establishment of neo-liberal economic foundations that GEAR epitomises. On the other, the Group of 8 (G8) has raised reservations about the appropriateness of the neo-liberal economic prescriptions, suggesting the need to find another route to development for emerging economies.

Again, the attitude and conduct of developed countries insofar as allowing access to their markets by developing countries has forced a rethink on the part of these countries. Many of these countries have insisted that until issues such as these have been resolved, the second round of negotiations on world trade should not be allowed to take off. The plummeting value of the Rand, in spite of the sound economic fundamentals in the country, has generated an appraisal of our macro variables. And, the havoc wreaked by speculative capital in the face of extremely liberal exchange controls has compelled government to impose regulation in this area.

Thus, the terrain this research has been dealing with is never static but moves in response to changing circumstances. This is what makes this chapter difficult too. For, what was the case yesterday is completely different today. Nevertheless, based more on the principles enunciated in the macro-economic strategy of GEAR rather than on the ever-changing conduct of its protagonists, it is possible to arrive at a coherent conclusion and even to make some projections. We attempt to do so hereunder.
To determine whether GEAR is a strategy for development, it is essential to articulate our conceptualisation of development. This research has traced the history of the meaning of development from the early sixties to this day. It has found that, like any other living organism, the meaning of development has changed with the changing times and epochs. Accordingly, and in the early sixties, development meant economic development and was measured in terms of an increase or decrease in the GNP, GDP and other related concepts. Operating within the modernisation paradigm, this understanding of development necessarily focused on economic growth, saving and investment. And whenever it was compelled to pronounce on the growing poverty of the people, its stock answer was that once sufficient economic growth had been realised, its benefits would trickle down to the poor. The benefits have remained the preserve of the wealthy.

The late seventies and early eighties saw a shift of focus in the meaning of development. This shift was driven by the belief that economic growth must translate into the satisfaction of humanity’s basic needs. This, a fundamentally new thrust, was developed further and strengthened continually in the subsequent years and decades to this day. As a result, development has come to mean human development, and any talk about development is talk about people. In this sense, economic activity is understood not as an end in itself, but as a means towards enriching the life of humankind. Consequently, the development question to ask is no longer ‘what is the percentage increase in GNP?’, but ‘what has happened to poverty, unemployment and inequality?’ The contribution of the United Nations Development Programme (UNDP) through its annual *Human Development Report* towards this paradigm since 1990 has been incalculable.

In the final analysis, development has come to imply the following elements: Empowerment, co-operation, equity, sustainability, and security. And, any development strategy which fails to nurture and to expand these elements ceases to qualify to carry such a title. Let us now look at the strategy of GEAR in relation to these benchmarks.

Looking at the goals and objectives of the *Economic Structural Adjustment Programmes (ESAPs)* of the IMF and the World Bank, as well as the broad imperatives of globalisation, this research has found that the macro-economic strategy
of GEAR is a homespun structural adjustment programme or globalisation made indigenous. This is so because, like the ESAPs and globalisation, the GEAR strategy endorsed financial and monetary stringency; assigned a restricted role for the state in redistribution; supported the restructuring of trade and industrial policies so that they were in line with an export-led strategy; promoted the approach that economic revival would occur if it were market-led and geared at achieving sustainable growth by attracting foreign, and encouraging domestic, investment; advocated for the removal of exchange controls and the gradual lifting of tariff and non-tariff protection to local industries; and suggested the conclusion of social accords, co-determination agreements and restructured labour relations to check social and industrial unrest. And all this, without exception, places GEAR in the paradigm of neo-liberal orthodoxy. Therefore, it is the conclusion of this research that the GEAR strategy does not represent any departure from the dominant neo-liberal economic orthodoxy – it simply affirms and consolidates it.

Thus, when we ask whether GEAR is a strategy for development, we are actually asking whether a neo-liberal economic framework can deliver development as conceptualised. It is helpful to note that this research undertook an exploration of the consequences of the application of neo-liberal economic strategies in the region of sub-Saharan Africa. The results are a depressing catalogue of failures. This exploration found that, instead of salvaging the economies of this region from the throes of certain death, neo-liberal strategies pushed these economies deeper into catastrophe. Sub-Saharan Africa is today the poorest and the most underdeveloped region of the world.

It might be helpful to understand the size of the task confronting GEAR if this strategy is ever to deliver development as defined. This research has found the Apartheid-inherited economic base and pattern to be the most difficult hurdle facing GEAR. This is so because, in spite of the availability of a large and unused supply of labour, South Africa remains specialised in capital-intensive goods. Trade liberalisation and the removal of the peculiar set of industrial incentives that had favoured capital-intensive sectors should have produced export patterns that favour labour-intensive sectors and thus stimulate job creation. This has not happened.
It is the view of this researcher that this economic behaviour is responsible for placing South Africa on a development trajectory dominated by conglomerates. It is the view of this research that until this pattern is reversed and finally destroyed, the preconditions for the delivery of development will forever elude us. The GEAR strategy has to grapple with this.

The GEAR strategy has been categorised by some as the product of ‘leap-of-faith-economics’. The argument is that its 6% growth level projection by the year 2000 was based on erroneous assumptions. It assumed that once the budget deficit was reduced, inflation kept to single digits, interest rates lowered, exchange controls lifted, tariff and non-tariff barriers removed, state-owned enterprises privatised and labour market rigidities eliminated, a deluge of foreign investment would be injected into our economy. This research has found that the causal relationship between foreign direct investment and attractive macro-economic policy measures is not automatic. This relationship is also influenced by factors that lie, strictly speaking, outside the economic realm. In South Africa, crime is one of these factors – we are rated amongst the first ten crime-ravaged countries in the world.

But another non-economic factor influencing this relationship is the existence of other competitors for the same slice of the foreign investment pie. This research has also found that foreign investors were not patiently waiting in a queue for South Africa to create an investment-friendly economic environment. It found that there were several regions and countries that offered an alternative to the foreign investor. These were, for example, Russia and the former Soviet-Bloc countries, liberalising People’s Republic of China and its Hong Kong enclave, countries constituting the Commonwealth of Independent States (CIS) and, albeit strange, some industrialised countries.

As the facts demonstrate, and instead of increasing, the rate of economic growth has been declining from 1996 – from 3.2% to 1.7% and down to 0.1% and even recording negative rates in the last two quarters of 1998 (−2.5% and −0.3%) - to 1999. In spite of the artificial manipulation of the mechanism to calculate GDP in order to present an improved record of economic performance in South Africa, the growth rate remained disappointing. However, the new method of calculation is projecting a 3%
growth rate for the year 2000 – 50% less than what GEAR had budgeted for in 1996. This has impacted negatively on GEAR’s projections.

On the employment front, this research has found that it was not possible for the GEAR strategy to achieve the 400,000 new jobs per annum by the year 2000. This conclusion is arrived at on the grounds firstly that one of the conditions GEAR argues is required to create jobs, namely labour market flexibility, prevails already and yet no jobs have been created. In this regard, a study undertaken by the International Labour Organisation (ILO) has shown that the labour market in South Africa is extremely flexible – even large scale firms use informal forms of employment such as subcontracting, outsourcing and casual labour. This study found that 82% of firms in South Africa use temporary labour, while 45% use contract labour. Secondly, it is the view of this research that job creation based on wage constraint, as GEAR suggests should be the case, can only increase poverty.

As the facts demonstrate, and again instead of decreasing, the rate of unemployment has increased by shedding more than 500,000 jobs between 1994 and 1999. Prospects for this trend to be stemmed are receding. In fact, the announcement by the Public Enterprises Minister, Mr Jeff Radebe, to fast track the sale of state-owned enterprises can only strengthen this trend. The Public Enterprises Ministry, it must not be forgotten, has conceded that jobs will indeed be lost, and that in the longer term this will be turned around. But, no turn around is in sight. It is the view of leading economists that in order to begin to create jobs, the South African economy must achieve growth rates of at least 6 to 7%.

As for redistribution, the last element in the GEAR acronym, this research has found that the complex link between economic growth and improved income distribution was not given deliberate attention. It was assumed that growth would automatically lead to income redistribution. It is the view of this research that the macro-economic strategy of GEAR does not see income redistribution as a dynamic that reinforces and acts as a spur to economic growth, but rather as the consequence of such growth – clearly, a trickle-down approach.
However, it must be conceded that conditions for the emergence of a growing Black petit bourgeoisie have been created and nurtured by the GEAR framework. Although Black economic empowerment, another flagship project of the GEAR strategy, is attacked incessantly on the grounds that it enriches a tiny percentage at the expense of a huge mass of the poor, there can be no denying the fact that a growing Black middle class is a reality of South African life today. Whether this development could in any way be seen to signify development, or whether, as many have suggested, it is simply a mechanism to create soldiers and advocates to act in defence of the GEAR framework, is a moot point indeed.

When this research assessed GEAR’s performance in the critical development components of empowerment, cooperation, equity, sustainability and security, the following picture emerged:

5.2. Elements of Development

5.2.1. Empowerment

It is the professed objective of the GEAR strategy to enhance the quality of life of the previously disadvantaged through the process of empowerment. Many pieces of legislation have been enacted to give effect to this objective. Examples of such legislation include the Employment Equity Act, the Affirmative Action Act, the Skills Development Act, and others. However, empowerment means much more than has been suggested. Amongst other things, empowerment presupposes a change in a person’s knowledge, skills, attitudes and practices. People become empowered as they learn to participate as equals, and exercise influence and control over social processes. Accordingly, the extent to which communities have control and influence on decision-making, such as policy formulation; on economic resources; and on knowledge (information) indicates the level of community empowerment.

Far from promoting the control of decision-making on economic resources and on knowledgeinformation by the masses of the poor, the GEAR strategy has made decision-making the preserve of the educated, the elite. The pretence to invite the
input and the submissions of the poor and the uneducated into policy formulation processes is nothing less than a huge hoax. The poor, who are largely uneducated, can hardly draft a submission. Even if they could, they would not have the resources to travel to the city, where hearings are usually held, to deliver or represent their submissions.

As for the control of and influence on economic resources, the GEAR strategy has methodically alienated the masses of the poor from the huge wealth which they have helped to create. The privatisation of state-owned enterprises, far from bringing many of the formerly disadvantaged into the mainstream of economic life, has concentrated control, property and wealth in very few, and already rich, hands. What is more, by precipitating job losses, privatisation took away people’s wages – the last dignified method by which people survived the difficulties of life.

Access to and control of knowledge and information is always a function of wealth and power. The poor are poor because they do not have the skills and, more importantly, the resources to access knowledge and information. The privatisation component of the GEAR strategy which increases unemployment and, therefore, deepens the poverty of people, makes it more difficult for the poor to access, let alone control, knowledge and information. As a direct consequence of this, and far from being active agents in their own development, people inevitably become passive beneficiaries of a process engineered by others. And as such, the development process becomes an alien phenomenon, not integrated and mainstreamed into the everyday life of the people, not engendering a feeling of ownership on the part of the people it is intended to benefit, and certainly not generating keenness and a commitment by beneficiaries to rally around it in protection and defence in the face of any potential threat. Clearly, participation is a sine qua non in the development process.

5.2.2. Co-operation

The constitution of this country underscores the need for the protection and the defence of the culture, shared values and belief systems of communities. What is more, contemporary development thought embraces the position that the process of
development succeeds only upon the condition that the assets which communities have built over many years are taken on board. Assets relevant here are those that foster community cohesion – social assets. In terms of these, people are able to draw on relationships with other people during times of stress on the basis of trust and reciprocity; faced with an illness, women in a neighbourhood may share cooking and child care; and people borrow from one another to meet immediate needs for food, water, electricity or health-care.

However, social assets are easily eroded by stresses in social relations resulting from violence, alcoholism and other anti-social forms of behaviour. GEAR’s restructuring project threatens the very foundations of community cohesion. To be sure, the inevitability of job losses not only stretches to the ultimate limits the ability of the social assets to resist, but is also experienced and handled differently by different people. For some, the inability to provide for the family is a demeaning inadequacy for which the solution is violence against family members. For others, the solution is excessive indulgence in inebriating substances in the belief that the problem will go away.

To the extent that the shedding of jobs consequent upon GEAR’s privatisation project has assumed serious and widespread proportions, the threat facing the erosion of social assets is indeed real. Many, if not all, elements of the GEAR strategy, and, indeed, the capitalist framework it espouses, are anti-communalistic approaches and consciously favour and promote individualistic ones. Thus, whereas current development discourse focuses not just on people as individuals, but also on their essential interactions and co-operation as members of communities, the GEAR strategy focuses primarily on economic growth, ostensibly in the belief that at some future date people will benefit. This strategy factors people into the growth equation only insofar as they contribute to the realisation of economic growth. It is not unreasonable to conclude that GEAR has very little to do with co-operation.

5.2.3. Equity

The GEAR strategy is essentially a trickle-down economic paradigm which, in spite of the many frills in which it is ensconced, depends very heavily for its success on
both foreign and domestic saving and investment. However, the pre-requisite for saving and investment is accumulation of surplus. This explains GEAR’s preoccupation with the creation of a conducive economic climate for the foreign investor. The liberalisation of the economy at all levels including, in particular, the elimination of exchange controls, and, even more importantly, the relaxation of the labour market is intended to achieve this end.

But, the elimination of exchange controls, accompanied as it is by the right to expatriate profits, can only undermine prospects for equity. This is so because, first, the law of competition dictates that labour-saving or capital-intensive methods of production be employed – they are cost-effective and increase the margin of profit. The consequences of this approach, insofar as it causes the replacement of manual labour by machines and insofar, therefore, as it denies people access to the means of life, are not taken into consideration. Secondly, the act of expatriating profits, without any form of limitation whatsoever and coupled with prevailing tax holiday arrangements, is far indeed from promoting equity. Repatriated profits represent a drain on and a loss to the economy producing them. Therefore, the national economy, whose growth is an important condition for the realisation of equity, is left poorer by profit repatriation.

While the protagonists of the GEAR strategy saw employment creation as the principal method to ensure wealth redistribution, the call by GEAR for flexibility in the labour market constitutes an apparent contradiction. In the final analysis, the flexibility sought here is intended to dispense with the onerous employment terms and obligations shouldered by the employer. What this means is that the employer should, with greater ease, be able to use the various employment regimes such as casual, temporary or contract labour which are time-bound and totally employer controlled – the old hire-and-fire phenomenon. What is more, these employment regimes free the employer from the headache of grappling with collective industrial action. They also release the employer from such important obligations as contributing to employees’ medical aid schemes, as well as to their pension or provident fund. As such, the call by GEAR for greater flexibility in the labour market cannot be construed as a means to advance the cause of equity.
Finally, and as argued before, wage moderation – another component of the labour market flexibility call by GEAR as a strategy to create more jobs - is misleading and unacceptable. Far from effecting income redistribution and therefore promoting equity, all that the wage moderation concept does is divide a wage previously held by one person amongst an increased number of persons. In a way, this can easily be construed as the redistribution of poverty and stands in stark contradiction with the promotion of equity.

5.2.4. Sustainability

The element of sustainability is a sine qua non to any process of development. This is so because sustainability ensures the continuity of the development process. Thus, any development initiative wanting in sustainability is simply temporary and transitory.

The fact that the GEAR strategy calls for a drastic reduction in government spending on such social services as education, health care, social security systems, etc., is indeed central to the sustainability of GEAR itself. In this regard, studies have placed beyond question the fact that it is those countries that invest heavily in human development that experience incremental and ongoing growth and development of their economies. With specific reference to education, Japan and the so-called Asian Tigers are a living testimony to this assertion. The unintended but certainly inevitable consequence of such a call is the invasion of our streets and communities by idle hordes of school leavers. The potential for anti-social behaviour and activities, and for social disruption and dysfunction is incalculable indeed and certainly flies in the face of the sustainability of GEAR.

As for the health care question, considered, in particular, in light of the HIV/AIDS pandemic, the call by GEAR for a reduction in public spending in this area must be revisited. In this regard, therefore the point must be reiterated that the driving force of all economic activity is people, and that people engage in economic activity not for its own sake, but in order to enrich their quality of life. And unless huge amounts of resources are mobilised and deployed into this sector for research and short- and medium-term interventions, the health of our economy and therefore also of GEAR will become terminal. Accordingly, the call for a reduction in public spending in health eats away at the very foundations upon which the GEAR strategy stands.
In calling for the restructuring and the privatisation of state-owned enterprises, the GEAR strategy plants the seeds of its own demise. Chapter 4 above concluded with the observation that the one concrete and discernible outcome of the early phase of the implementation of GEAR is the inexorable shedding of jobs. Almost four-and-a-half years after the implementation of this strategy, jobs continue to be lost. This reality represents the opposite of what GEAR sought to achieve, namely employment and redistribution. This reality also continues to increase the growing numbers of the huge army of the unemployed whose restlessness cannot speak well about the sustainability of the GEAR strategy.

Perhaps the most persuasive and in some sense, ground-breaking admission about the unsustainability of globalisation, structural adjustment programmes and therefore also GEAR, came from the G8 – a group of the eight most industrialised nations of the world. In a G8 summit meeting which took place in Cologne in March, 1999, the group acknowledged the devastation caused by the one-size-fits-all implementation of globalisation, and accepted the need to find a third route to development. The G8 control the world, their views are almost always law.

The World Trade Organisation (WTO) conference in November 1999 in Seattle, US, where crucial decisions relating to the regulation and the conduct of international trade were to be taken, called into question the legitimacy of globalisation and therefore by implication also of GEAR. The well-organised body of opposition to the conference which comprised church groups, green parties, non-government organisations, trade unions, debt-cancellation campaigners and many others descended on Seattle, called for a halt to globalisation and succeeded in making it impossible for the WTO to decide on issues, at least on the first day. The important point here is that globalisation has precipitated opposition to the extent that its sustainability is without doubt in question.

The US congress appointed the International Financial Institutions Advisory Commission in early 1999 to look at reforming the IMF and the World Bank – the main international financial institutions at the cutting edge of development in emerging economies. Reflecting a vote of no confidence in these institutions’ thrust,
the commission has recommended, inter alia, that the IMF be downsized; that it withdraw from poverty and development lending; and that it become lender of last resort.

It is noteworthy that three of the most influential authors of GEAR have left government for the banking sector. These are Andre Roux, Richard Ketley and Iraj Abedian. This move has generated charges by leftwing intellectuals that "this proves that the Gear strategy was written with banks' profit margins in mind, instead of South Africa's economic development" (Business Day, 03/04/2000, p.11). Mr Ketley believes that "Gear failed partly because it assumed the labour market would be more flexible and trade liberalisation would be more rapid" (Business Day, 03/04/2000, p.11). Echoing similar sentiments, Roux suggested that "the structural changes on which Gear is based will take longer to happen than we realised at the time. Also, the emerging markets crisis meant the international environment changed radically" (Business Day, 03/04/2000, p.11).

It should suffice to say that the GEAR strategy has and continues to antagonise a growing number of people in the country and that this cannot augur well for its sustainability.

An area which should be researched further is the relationship between the ANC and its alliance partners, the SACP and COSATU. It is necessary to determine what it is that sustains this relationship in the face of the devastating failure of the macro-economic policies of the ANC; and how in terms of this relationship the ANC deals with dissent which has been simmering for a while now. In fact, this discontent has now blown the lid open. This might help to define the longevity of the GEAR.

5.3. Conclusion

It is the concluding position of this research that, based on the evidence adduced and the arguments marshalled, the macro-economic strategy of GEAR is not a development strategy. It might not be amiss to quote Professor Muhammad Yunus,
founder member of the *Human Development Report*, on the occasion of the tenth anniversary of this Report. He said:

“When I was arguing that helping a one-meal family to become a two-meal family, enabling a woman without a change of clothing to afford to buy a second piece of clothing, is a development miracle, I was ridiculed. That is no development, I was reminded sternly. Development is growth of the economy they said; growth will bring everything. We carried out our work as if we were engaged in some very undesirable activities. When UNDP’s *Human Development Report* came out we felt vindicated. We were no longer back-street operators, we felt we were in the mainstream” (*UNDP* 1999: 15).

Indeed, the debate around the GEAR strategy is only now beginning to draw battle lines. How the various sectors of the South African community react to this strategy will certainly determine its future.
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