

FINANCIAL SANCTIONS AND THE FUTURE OF SOUTH AFRICA

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Cassius: The fault, dear Brutus, is not in our stars,

But in ourselves, that we are underlings.

Shakespeare, *Julius Caesar*, I,ii.

The Economic Boycott

Politics has its own logic. Therefore, it is only consistent that the sanctions campaign of the African National Congress (ANC) and the South African Communist Party (SACP) should have ended up where it was always directed, in the hands of capital. And not only capital in general, but capital in the guiding nucleus of modern society, the banks.

The call for action by the banks against the South African economy has been in existence for many years. The End Loans To Southern Africa (ELTSA) campaign, with support especially among the Protestant churches in western Europe, grew out of the Anti-Apartheid Movement (AAM) in the early 1970s. ELTSA saw it as a famous victory when Barclays, formerly the bank with biggest holdings in South Africa, sold its entire stake in 1986 (to the Oppenheimer empire) after a campaign lasting 17 years.

By contrast with the 1960s and 1970s when the ANC called mainly for an international consumer, sports and cultural boycott, as well as disinvestment by foreign capital, the decisive practical role in the sanctions campaign now lies with world financial capital. The shift represents a change in kind, a qualitative moment of transition revealing the class character of the ANC and the anatomy of South African society as this is being shaped by international conditions.¹

This first official boycott of trade by an external government was imposed in 1946 by the Congress Party in India, outraged by the 'Pegging' Act which discriminated against the Indian community in South Africa. It grew out of several decades of Gandhian politics in both South Africa and India and had a formative influence on the ANC, but did not prevent South African gold from flowing into India.

Calls for consumer boycotts in South Africa were initiated in the late 1950s by the Congress movement. These were directed against manufacturers of cigarettes and canned fish as representatives of so-called 'Afrikaner capital' in the illusion that it was principally this that was represented by the National Party government. Effectively this was to signal to the Oppenheimer interests, then and now the dominant core of capital in South Africa, that a rapprochement between big capital and the ANC was open for discussion. The first calls for economic sanctions were succeeded in 1959 by the ANC's potato

boycott, aimed at improving the appalling conditions of labour – under the whip, and under a prison regime – in the Bethal region of the Transvaal. The boycott threw light on conditions on the farms; the worst excesses were temporarily curbed; but it altered nothing basic. Through the late 1950s there was debate on the efficacy of boycotts: economic, cultural and political. Then in 1960, after Sharpeville, Chief Luthuli called for an international economic boycott. This led to the sanctions campaign abroad, principally with the passive form of consumer boycott in mind, derived from the experience of the 1950s.

The General Assembly of the United Nations voted for extensive economic sanctions in November 1962. Thereafter an international conference on Economic Sanctions against South Africa was called in London by the ANC and the British AAM with Ronald Segal as convenor. Delegates came from Stalinist states and countries in Africa and Asia, and unofficial delegates from other countries. Its resolutions looked mainly to the executive decision of states and local government bodies, or moral gestures on the part of individuals and strikes by workers against handling South African goods.

From these beginnings grew the current campaign for financial sanctions, which differs significantly in character from the international boycott proposed in 1964. Complete trade sanctions, in the words of the recommendations of the conference, provided 'the only effective means of intervention short of military intervention' (Segal, p.271). The slight difficulty of effecting a 'cessation' of gold sales from South Africa, at a time when the country supplied world economy with 70% of all newly mined gold outside the Stalinist states, was dismissed with the idea that it would be 'perfectly feasible for the appropriate United Nations agency to make credit available to offset any loss of world liquidity' (Segal, p.249). If it was faith in the magical powers of credit that characterized the supporters of sanctions at that time, it is faith in the beneficent nature of the banks as providers of credit which marks the ANC campaign today.

With the Sanction of Finance

The central place of financial capital in the ANC's current sanctions politics was made clear last August by executive member Aziz Pahad in Canberra, at the meeting of the Commonwealth Committee of Foreign Ministers on Southern Africa (CFMSA), a committee in which Britain does not participate. It was affirmed in October by the ANC delegation to the Commonwealth heads of government meeting at Kuala Lumpur, and endorsed also by the Pan Africanist Congress, which on the issue of sanctions has never had any major difference with the ANC. It was also approved – most important of all – by the Congress of South African Trade Unions (Cosatu), represented at Canberra by a member of its executive and general secretary of the National Union of Metalworkers of South Africa (Numsa), Moses Mayekiso.

Formerly a leader of the left wing of the unions, Mayekiso was acquitted of treason charges last year. He spoke at conference as a representative of the Mass Democratic Movement, a loose alliance of organizations attached to the ANC and successor to the banned United Democratic Front, but with one crucial difference: the MDM was dependent as the UDF never was on the social weight of the trade unions in Cosatu. This was because only the unions, despite loss of membership, preserved their organizations intact through the regime's state of emergency. Never before has the ANC been so dependent on the black trade unions, but never since the 1950s – when the South African Congress of Trade Unions (SACTU) promoted the aims of the ANC and the SACP within the country – have the unions been so dependent on political direction from the ANC.

Besides Mayekiso, the CFMSA also invited the former treasurer of the UDF, Azar Cachalia, who did not attend because the government refused him a passport: retribution for having urged financial sanctions as part of a UDF mission in July to the US and Britain. Cachalia stated later that that the UDF had asked Bush and Thatcher 'for three kinds of financial pressure: no rescheduling of debts, no new loans and denial of trade credit' (*Guardian*, 9 August 1989). The same demands had been urged on Bush in Washington earlier in the year by the religious leaders Desmond Tutu, Allan Boesak, Frank Chikane and Beyers Naude.

Cachalia's three points sum up the demand for financial sanctions agreed at Canberra. The CFMSA was committed to pressurizing governments, banks and international financial institutions for: (a) restriction of trade credits for South Africa to 90 days; (b) a ban on insurance cover by official export credit agencies; (c) strict enforcement of adequate provision by banks for loan loss; (d) immediate payment to the banks of outstanding balances due for re-negotiation and other debts maturing by June 1990; (e) imposition of the highest possible interest rates on South African debt; and (f) approaches to Japan, other countries of the Pacific rim, West Germany and Switzerland, which have increased their trade with South Africa in proportion as the United States has cut back its own. The CFMSA further proposed a permanent inter-governmental body to monitor a ban on medium and long-term lending to South Africa. Decisions on further action were to be made by the Commonwealth heads of government meeting in Kuala Lumpur.

Just when the demand for no rescheduling of debt was due to be made at Kuala Lumpur, the South African government announced an agreement with the creditor banks, recycling payments of \$8 billion from mid-1990 until the end of 1993. With this agreement the campaign for further tightening of financial sanctions received a setback. The first, and most important, of the three kinds of financial pressure sought by Cachalia and the ANC fell away. On the second of these three points, the British government represented by Mrs Thatcher assented in a joint Commonwealth statement that there be no new loans, only to issue a disclaimer an hour later reiterating its opposition to sanctions in general. The third of Cachalia's three demands – denial of trade credit, beyond a maximum of 90 days – was agreed, also excepting

Britain. Again with the exception of Britain, the meeting accepted the Australian government's offer of 'substantial initial funding' to set up a body to review and report on South Africa's international financial links, as the CFMSA had proposed. The British government's opposition rendered the exercise more complex and contradictory, since while the CFMSA was committed to a full programme of financial sanctions, Britain was the only Commonwealth country in a serious position to apply them.

The Banks as Liberators

Every proposal for financial sanctions against South Africa now seeks to generalize and intensify measures already taken by the US banks themselves. Headed by the Chase Manhattan Bank, US financial capital imposed financial sanctions on South Africa in July–August 1985 at the height of the township revolt, by means of a block on further credits and the demand for the return of outstanding loans. The banking system took these measures for the same reason that it has taken all credit restriction measures internationally since the Mexican debt crisis of 1982: to recoup principal and interest on outstanding loans and to limit further risk, by all-round reduction of exposure in zones of political and economic upheaval. The immediate result in South Africa was a very serious financial crisis, forcing the government to declare a moratorium on payments and the present currency controls involving a two-tier system for exchange of the rand.

These sanctions by US financial capital, resulting in some 250 banks internationally being caught in the South African government's moratorium, are the only really serious measures so far directed against the South African economy. As the CFMSA reported in a statement issued in Toronto on 3 August 1988, the refusal of banks to lend to South Africa has been

the most significant sanction in restricting economic growth through forcing large capital account deficits to repay maturing loans, and requiring corresponding current account surpluses (*South Africa's Relation with the International Financial System*, p.ix)

This is still the position, following the debt rescheduling agreement in October. Pressure on South Africa's balance of payments remains severe. Shortage of capital will continue to impose constraints. Total foreign debt stands at \$21.6 billion, the equivalent of one year's total exports. Some \$15 billion of foreign debt has been repaid following the debt standstill in 1985, with a further \$10 billion leaving through other channels. Last year the country made net transfer to foreign banks estimated at \$3-3.5 billion, and will continue to export capital at the current rate (*Financial Times*, 20 October 1989).

Mitigated only by export of rare minerals to the world market (principally gold, but also platinum, chrome, vanadium), as well as sales of diamonds,

which last year increased in rand terms by 50 percent (AAC, 1989), these financial sanctions imposed the same austere conditions on South Africa as measures imposed on other countries by the International Monetary Fund (IMF) and the banks during the 1980s. The banking system compels these societies to transfer capital abroad to the most powerful axes of world financial power, at the same time accelerating legal and illegal capital flight.² This capital transfer is achieved by generating a huge surplus of exports over imports, by depression of the living standards of the masses and by general lowering of the level of capitalist development through reduction in import of new technical equipment. It represents naked tribute to financial capital from hundreds of millions of the poorest people on earth, and is one of the dominant characteristics of world economy of the 1980s.

At the opposite pole in world economy, this relation finds expression in net import of commodities and capital into the US and Britain, financed by 'hot' money borrowed short term at very high rates of interest. These world relations of debt and finance are the general context to which any campaign of financial sanctions is subject, and it is to this system that the ANC and SACP have subordinated their international political campaign. The high interest rates by which the US finances its trade and budget deficits, through foreign loans, above all from Japan, are the prime means by which the people of the 'third world' are thrust deeper into the abyss. Albeit for special reasons, South Africa now shares the fate of the damned. What is not investigated by supporters of the ANC is the place of South Africa's debt crisis in the wider context of the debt crisis of the system, with the political leverage this gives banks and the major bourgeois states in the event of a negotiated settlement.

The Banks, the Treasury and the ANC

The action of the banks in July–August 1985, setting in motion the sole effective process of economic sanctions so far, was a measure by capital in its own defence against a future threatened loss. All other forms of economic sanctions against the South African regime, advocated by the ANC, the SACP and the AAM, have not had any decisive effect politically because they were urged generally at variance with the needs of capital. While South Africa remained a source of substantial profit they were anomalous to capitalist world economy, and thus at best tangential. Financial sanctions are an affair of a different order, since here the agent is the ruling element in modern capital – its cerebral cortex – acting on its own behalf, in its own interest, and acting towards longer rather than short term ends. What the banks require are political changes in South Africa that can assure them of future safety for their investments, and a safe field for future investment. While through the 1960s, 1970s and early 1980s it was the ANC that was anomalous to the needs of capital, by 1985 the township revolt together with the mobilization of the trade unions made plain to the banks that what is anomalous is the apartheid regime. Identical measures would be taken against a future government, if the banks considered it necessary.

The Bush administration is therefore merely answering to the needs of capital, made explicit by the banks, when it declares through the new assistant secretary of state for African affairs, Herman Cohen, that it seeks 'a negotiated non-violent transition to a new constitutional system' (*Weekly Mail*, 3 August 1989). Cohen gives the new administration of President de Klerk two years to make the transition (*Weekly Mail*, 27 July 1989). That is what the banks seek.

The convergence of real practical bank sanctions and the agitation of the ANC for financial sanctions marks its co-option into the political operations of world capital. Outside the environs of Mrs Thatcher, it is hard to discover who does not either support or threaten to support their extension. Congresses of bishops and the Trade Union Congress, the UN and the Communist Parties, radical leftists and the far-seeing right: all look to the agency of money-dealing capital to undo what money-dealing capital set in place at the founding of modern South Africa, in the period of Rhodes and Rothschild. At that time, when the old Boer republics stood in the way of the development of capital, the City of London took southern Africa by the scruff of the neck and shoved it violently into the required shape. The present troubles in South Africa are the result of the social order set in place at that time, supervised by a centralized apparatus of coercion constructed under the immediate supervision of finance capital. The USSR now lines up with the US to enforce the motion of no-confidence passed on the apartheid regime by the banks in August 1985. Their joint political operations recall the moralizing coercion of British finance capital in 1899, which like world capital today, clothed its own self-interest in the language of concern at the exclusion of a section of the population from the vote. It used to be said: *Ex Africa, semper aliquid novo* (Out of Africa, always something new). It would be more appropriate to reply: The more things change, the more they remain the same.

It is significant that the thinking behind the campaign for financial sanctions is not the work of South Africans, and does not result at all from the labours of the ANC, the SACP, the AAM, the UDF, the MDM, Cosatu or any of the organizations that have promoted sanctions politics over the years. The most professional draft of the new ANC policy was invented for it by state technocrats from three bourgeois countries, including two which in 1988 ranked third and fourth as world gold producers after South Africa.³

These two states, Australia and Canada, together with India, provided officials from their treasury ministries to assist a senior aide to the Australian prime minister, Bob Hawke, in drawing up the earliest draft of a serious programme for financial sanctions (*Weekly Mail*, 24 August 1989). Its leading author, A.S. Cole, is assistant first secretary of the Economic and Policy Division of the Australian prime minister, and previously alternate executive director of the World Bank in Washington. He was assisted by Terry O'Brien, head of the the resources and finance branch of the Office of National Assessments, Australia; Anthony F. Burger, director of the international finance and development section of the Department of Finance, Canada; Bethany Armstrong of the Department of External Affairs, Canada; and K.L.

Deshpande, an adviser in the Department of Economic Analysis and Policy of the Reserve Bank of India. This study was initiated at the Commonwealth heads of government meeting in Vancouver in October 1987, when the CFMSA was also established. Terms of reference were agreed by the CFMSA at Lusaka in February 1988. The finished report, under the title *South Africa's Relationship with the International Financial System*, was submitted to the CFMSA in Toronto in August 1988.

In its insight into the operation of modern capitalism, the report of this financial state cabal was qualitatively superior to anything coming out of the ANC and SACP or their various liberal and left supporters: hardly surprising, since it represents a serious policy study of the bourgeoisie, by the bourgeoisie, for the bourgeoisie. The ANC/SACP was required merely to accede to the findings and policy recommendations of this statist think-tank of capital.

Known as the Cole report, the document presents valuable statistical and factual material on its subject. The CFMSA backed its findings and moved the initiative be taken further. This report formed the framework for the Commonwealth discussions in Canberra and Kuala Lumpur, where Hawke was greatly assisted by having Cole to advise him in presenting his five-point plan for extension of sanctions. The Cole report guides equally the campaign of the ANC, the MDM and the men of God. Only after the submission of this report in August 1988 did the first whisper of the present programme of financial sanctions come from Tutu, Boesak and Cachalia, who appear to have been briefed (from above?) in the interim.

The report had a further rebirth in the form of a book completed last June and published shortly afterwards by Penguin Australia, written by Cole with assistance from a New Zealand journalist, Keith Ovenden. Intended for wider distribution as part of the international campaign by the ANC and the AAM, the book, *Apartheid and International Finance: A Programme for Change*, is a rewrite of the Cole report, with some updated material. Chapter four on 'The Financial Crisis of 1985 and Beyond' is particularly informative. Lucid on South Africa's financial crisis, like the earlier report it is uncritical and unhistorical in relation to the overall development of world capitalist conditions. The book originates from an undertaking by the Australian Minister of Foreign Affairs and Trade at the third CFMSA conference in Harare last February to make the Cole report available 'to a larger audience'. Ovenden and Cole state in the introduction that publication was 'made possible by the Australian federal government' (p.11).

A Turning Point

A turning point is reached in South African politics when, instead of trying to influence the policy of the bourgeois governments, as before, the ANC becomes the medium for distribution of the policy thinking of the banks and the treasuries of various bourgeois states. Australia, which provided troops

so that mining capital could take command at the turn of the century, now offers its services to eliminate the racist forms through which capital has operated in South Africa ever since.

The imprimatur of the Commonwealth appears also on another document on financial sanctions drawn up with the assistance of eight academics including Aurret van Heerden and Colin Stoneman, and headed by a US financial journalist with close ties to the AAM, Joseph Hanlon. This document originated also with the CFMSA and returned to it at the August conference in Canberra. Its full title is the *Independent Expert Study on the Evaluation of the Application and Impact of Sanctions. Final Report to the Commonwealth Committee of Foreign Ministers on Southern Africa*, better known as the Hanlon report. Published commercially in Britain under the title *South Africa: The Sanctions Report*, it was on sale in time for the heads of government meeting in Kuala Lumpur.

The Hanlon report is a remarkable document, since by tracking alongside the recommendations of the Cole report, it abandons a central tenet in Hanlon's previous argument from as recently as 1987: that boycott of South Africa's gold production 'holds the key to any sanctions campaign' (*The Sanctions Handbook*, p.255). By contrast, the Hanlon report now avoids recommending any major campaign of sanctions on gold, despite this having been agreed as a priority at the previous annual general meeting of the British AAM, and having entered into policy calls by the ANC and the PAC. The compilers of the report state that there are 'a number of difficulties' about sanctions on South Africa's gold production which persuaded them 'to not include it in the first targeted package'. Somewhat lamely, the report argues that nevertheless a practical gold sanction 'could be developed', and is even 'promising'. But wisely that mystery is left to itself (Hanlon et al, 1989b, pp.175, 163).

I made a critical examination of the delusory nature of Hanlon's argument concerning sanctions on gold in *Searchlight South Africa*, No.2 (February 1989). The Cole report makes clear that a boycott of South Africa's gold would be extremely difficult to implement. Treasury officials are not permitted to forget, like some ideologists, that the world's monetary authorities 'attach considerable importance to their gold holdings' (Cole, et al., 1988, p.69). As the Cole report explains:

A decline in the price of gold would affect the value of gold reserves held both by industrial and developing countries; it would also affect the revenues of several gold producers [not least, Australia, Canada, the US and the USSR] With so many potentially substantial losers, it is unlikely that this option would receive wide international support. Another likely objection to the proposal is the disruptive effect a large fall in gold prices would have on the international financial system.

Because there is no way to distinguish new South African gold from old South African gold or gold produced elsewhere, an embargo on new South African gold is not practicable. Nor is it expected that major

official holders of gold would be prepared to sell their gold stocks for the purpose on hand...Central banks are unlikely to put their gold stocks on the market in face of the risk that the scheme would push prices down, reducing not only the proceeds from sales but also the value of remaining stocks.

Thus, no option to reduce South Africa's earnings from gold looks practical at this stage (pp.69-70).

Since then a modest rise in gold price has further undermined Hanlon's argument of 1987, in part because of central bank discussions in Moscow concerning a possible return of the rouble to a gold base.

Hanlon and the other independent experts have been compelled to acknowledge the cold winds of reality blowing from the boardroom of the Chase Manhattan and the treasuries of Australia, Canada and India, albeit reluctantly. Compared with the report of the treasury whizz-kids, the Hanlon document remains oriented to the older ANC/AAM outlook concentrating on commodity sanctions, is more ideological and carries less weight as an inquiry into the actual place of South Africa within world capitalist relations. By avoiding the crucial dimension of finance capital, it emerged stillborn. The Cole report joins the serious literature on the political economy of South Africa; the Hanlon report will more likely prove ephemeral, aside from an appendix containing nearly fifty pages of trade statistics up to 1987.

In one respect, however, the Hanlon report is very revealing. Sanctions, it says, are directed towards bringing into existence 'a large group of white moderates favouring negotiations'. This is crucial. The perspective is bluntly stated:

Sanctions are a diplomatic tool. They are a spur to the negotiating process, not an alternative to it. The ultimate goal of sanctions is political — to promote negotiation. The intermediate goal is to create a growing group of [clearly, white] people who will press for genuine talks, and thus help to build a lobby for negotiations.

The inner relation of financial sanctions to the politics of the bourgeoisie is repeated in a further sentence: 'Sanctions are essential to create a lobby for negotiations...' (*Final Report*, p.ii). Curiously, in explaining this 'essential' relation, the commercial edition of the report omits these frank words on the pivotal place of 'white moderates' in the Commonwealth strategy.

The original version of the report thus suggests that financial sanctions are advocated, and endorsed by the CFMSA, principally for the purpose of strengthening a white party such as the Democratic Party in the racist electoral system. Through the presence of the former Anglo American director Zach de Beer in its leading triumvirate, the Democratic Party bears a direct relation to the central nucleus of South African capital.

There is a symbiotic relation between agitation for financial sanctions and the politics of capital, which emerges clearly — too clearly, for some — in the

Hanlon report. With its eye on transforming white politics in South Africa within 'moderate' (i.e. bourgeois) limits, the Hanlon report – promoted by the ANC/SACP and the MDM – thus repeats the orientation of the former Progressive and United Parties, under changed conditions.

Masters of the Globe

Debt is a weapon to bring political and social change, in this conception. Historically debt has played a very radical role in different periods. It reduced the free Roman peasantry to propertyless proletarians and subverted the feudal gentry. In the 1980s, the relation between debt-ridden countries and global finance capital has features in common with the relation between the main bourgeois countries and the primary-producing countries in the 1920s. Between 1925 and 1929, a process of 'structural deflation occurred in the world primary-product economy', which in turn 'imposed a kind of structural deflation on the system' (Kindleberger pp.92-93). That is, the great depression of the 1930s was preceded by a general ruin of the primary producing countries, especially those dependent on agricultural exports, including grain producers in South Africa. This was the real beginning of the great depression, spreading from the periphery of world economy to the centre, from the country to the city. Similarly, the debt crisis of the 'third world' in the 1980s is related through the role of the bank lending to the debt crisis of the 'first world', expressed most vividly in bank exposure to debt-based 'junk-bonds' in the US. An enormous inflation of debt by the banks throughout the system over the past 15 years is the common denominator at each pole of world economy. By their advocacy of financial sanctions, a relationship in which coercive power is exercised by the banks through debt, the ANC and the SACP thus relate uncritically to the tendency to mass pauperization in the system as a whole. This is the real content to their policy of economic sanctions.

Within South Africa, the coercive measures of the US banks have stimulated a severe rise in inflation amounting to over 40 percent on various foodstuffs, since reliance on gold exports has compelled the country's monetary authorities (the Reserve Bank) to depreciate the rand in order to maximize income from gold earnings. Simultaneously the Bank has cut imports in order to conserve revenue from exports, for repayment to the banks (Hirsch). With gold price falling at times to less than \$360 per oz, and by relative and actually rising costs of production reinforced by record world supplies from other countries with lower production costs, the burden of maintaining rand income to gold-mining capital, is thus carried by the mass of the population: principally by the black workers, urban unemployed and rural poor, but now extending to sections of the white workers.

The debt strategy of the ANC/SACP is as foolish as it is hostile to the needs of the majority of the people. If the position of capital in South Africa is relatively fragile, under pressure by the US banks, so is the position of the US

banks themselves under pressure of their own system. It is not without irony that Chase Manhattan, which initiated the crisis of August 1985 for the South African economy, is second most at risk in the US in total exposure to 'third world' and junk-bond lending (*Financial Times*, 20 September 1989). Australia, whose government provides the intellectual general staff for use of debt as a weapon in South Africa, is similarly wounded by its own artillery: a secret government report by the country's Economic and Planning Advisory Council warns that at least 20 of the largest companies are dangerously in debt (*Guardian*, 18 November 1989). This applies not least to the Bond Corporation, owned by interests close to prime minister. Even the IMF, at the pinnacle of post-war financial capital, is \$2.1 billion in arrears, the result of interest payments being suspended by a number of debtor countries (*Financial Times*, 23 September 1989).

Yet it is in the hands of the IMF that the politics of the ANC must end. The ANC could not be expected to be forthcoming on such a subject. It is possible, however, to read the logic of the relation binding sanctions politics to the IMF from other sources. The official statement issued at Kuala Lumpur (and supported by Britain) called on

appropriate international institutions, and in particular the International Monetary Fund, to examine how resources might be mobilized upon evidence of clear and irreversible change [in South Africa] (*Financial Times*, 23 October).

In essence the IMF is thus urged by the Commonwealth (including Britain) to continue financial sanctions in force since 1983, when standby credits for help in balance of payments difficulties – of which South Africa like many other countries has made use – became no longer available, on political/economic grounds. The Commonwealth decision to approach the IMF for a package of loans conditional upon political changes arose out of the five-point proposal by Hawke. This sought to exert new forms of financial pressure by exploring the possibility of the IMF developing a major supportive financial package for South Africa, with its implementation made contingent on structural political reform of a kind that could reasonably guarantee the economic stability of the country in the future (*Financial Times*, 20 October).

Loans contingent on 'structural political reform' that will 'guarantee economic stability'...this is what the IMF is all about, as the workers of Chile learnt to their cost in the 1970s when the state was subverted (in the interest of 'stability') by the army. The campaign for financial sanctions is actually directed not towards eliminating oppressive social relations but towards stabilizing capitalist social relations, during and after changes of form of social administration. A major objective is to ward off any serious effort by the proletariat – so obviously the strongest class in the society – in the direction of socialism.

The ANC and the IMF

This specific location of an open, public role for the IMF in the sanctions campaign is new. When the campaign was first put on a serious footing, at the London conference in 1964, individual experts did foresee a role for the IMF in making funds available to the US and Britain to compensate these countries if they took economic measures against the South African regime (Segal, pp.185,195). The concluding report which looked to the cessation of South African gold sales expected it would be perfectly feasible for 'the appropriate United Nations agency' to issue enough credit to 'offset any loss of world liquidity' (p.249). This can only refer to the IMF. But what is instructive is the absence of any reference to the IMF directly in relation to South Africa in the commission report, or in the resolution adopted by the final plenary conference, which referred only to 'all specialized international...bodies' (p.273).

In 1964, of course, it would have been highly embarrassing for the SACP and the British Communist Party—which had members on the steering committee—as well as for Stalinist states represented officially at the conference, if it had explicitly called on the IMF to assist in bringing change in South Africa. Stalinists at that time spent a lot of energy pointing (correctly, in fact) to the nature of the IMF as the policeman of world capital. To have called openly for IMF assistance in the final conference documents would have opened them to charges of hypocrisy and reformism. Now that these states are dismantling certain forms of state property and are themselves applying for membership of the Fund, the SACP and the ANC are less squeamish and a little more honest about the actual destination of their own politics. That does not stop the campaign from being a swindle on the workers of South Africa, who in the main do not know that they are being sold to capital by their leaders.

The IMF's likely future role in South Africa was noted by Vishnu Padayachee in a paper delivered in September/October 1986. Without referring specifically to the ANC and the SACP, Padayachee foresaw that the IMF 'with all its power to open and close aid and loan "doors"' would be a 'significant though unseen part of any Western package deal' on South Africa (Suckling and White, p.193).

It is a measure of how rapidly the programme for a bourgeois change in southern Africa has advanced that the role of the IMF, which Padayachee in 1986 still thought would be unseen, is now spelt out publicly, albeit not to the workers. The Cole report gives an informative account of South Africa's present and historical relation with the IMF, noting that it is 'extremely unlikely' that South Africa will be able to draw further credits from the IMF under the present regime (p.5). But it makes no recommendation on any future role for the IMF. (The Hanlon report makes no mention at all of the IMF in its list of thirty proposed actions, or in the index of the resulting book).

Although lacking the comprehensive detail of the Cole report, Padayachee's study goes beyond it in making a critical examination of this crucial element in the relation of South Africa to world finance capital. He shows that from 1945 to 1983 the relation of the IMF to the South African regime was 'rather cozy' (p.193). In particular, he points out how IMF credits to South Africa 'helped to steady foreign bank creditors' in 1960/61 and 1976/77 after the police shootings at Sharpeville and Soweto. In the immediate aftermath to the massacre in Soweto, he notes:

the IMF [balance of payments] assistance to South Africa for the two years 1976/77 was greater than the combined IMF assistance to all other countries for the same period. In those two years only two other countries, Britain and Mexico, were bigger beneficiaries of IMF aid [of all kinds] (p.194).

South Africa again received an IMF standby loan to assist in balance of payments difficulties as late as mid-1982, though for cosmetic reasons this were not announced at the time.

Dealing with the 'mixed economy' model of a post-apartheid South Africa as envisaged by the ANC (though he leaves this unsaid), Padayachee examines its problems and contradictions. Noting the experience of Jamaica, and Portugal, where political and economic crises paved the way for intervention of the IMF, he analyses the abstract logic of breakdown inherent in the programme of a popular nationalist government of the type likely to involve the ANC. Especially in a period of acute balance of payments problems, he writes:

international financial pressure increases for a 'reform' of this national/popular development strategy as a precondition for investment and loans that will be more acceptable to the West, the IMF and consequently the international banks. Under this pressure such a government – however strong its commitment to the well-being of the masses – may have little option but to grant even greater powers to the bourgeoisie. It may have to free markets, to freeze wages, to reduce subsidies on food, etc. – in general, to make the turn to the right that spells the end of national sovereignty, involves the capitulation to Western capitalist interests and ensures defeat for the goals and strategies of this development model. There are no glib solutions for overcoming these enormous difficulties in dealing with an inherently antagonistic Western controlled international economic system (p.199).

For this reason, he writes, the IMF may very well form 'an integral part of the formidable weaponry available to the West in shaping the emergence, nature and development of a post-apartheid South Africa', involving 'immense negative implications' for the needs and demands of the working class and the mass of the people (pp.202, 201). It is not necessary to share every formulation in Padayachee's conception to recognize the truth of this

analysis, which is all the more striking because he locates the breakdown of an ANC-type model of development through the working out of its own dialectic. As *Searchlight South Africa* stressed in an editorial on 'The "Post-Apartheid" Society' (February 1989), the future of the country will be determined by the way in which apartheid is ended. If the banks and the IMF play a major part in ending apartheid, their influence will be decisive in the subsequent society. It is a merit in Padayachee's thoughtful paper that he sees no easy solution, 'short of a fundamental change in the nature of power relations in the world economy' (p.202).

Analytical thinking of this kind in South Africa is rare indeed. Proposals that envisage placing the people in the hands of the IMF should be put to the test through critical study of the fate of those African countries placed under its 'trusteeship' during the 1980s. Advocates of financial sanctions should be confronted with the appalling reality that emerges in the recent two-volume collection on *The IMF, the World Bank and the African Debt*, edited by Badi Onimode. In a paper on 'The Bretton Woods System and Africa', Laurence Harris — one of the few writers not to succumb to romance on the subject of sanctions on gold — reaches a conclusion similar to Padayachee. Looking at the desperate crisis in which the continent has fallen under the *Diktat* of the IMF, he stresses the 'need to change the international system...' (p.24). This may be interpreted from a reformist or revolutionary viewpoint. Harris's paper has the merit, however, like Padayachee's, of turning South African eyes to the nature of the world system determining South African conditions. Unlike the ANC and the SACP, which invite the people to put their heads in the noose, Padayachee and Harris each discover general world tasks lying at the heart of the question of the relation between finance capital and modern Africa.

Gleichschaltung in the Unions

Ultimately it is the future of the workers in South Africa that is under examination. Nowhere is discussion of these questions so urgent as in the unions, yet it is here that discussion has now become extremely difficult. The ANC has passed from the patronage of the USSR into the US sphere of interest. Its guiding policy in international affairs has in the last resort become that of the IMF and the US banks, the real authors of 'financial sanctions'. In aligning themselves with this politics, the leaders of Cosatu, and in particular Mayekiso, have become the means of transmission of the politics of the banks within the proletariat. There has never been so little room in the unions for views critical of the ANC, and thus by implication of finance capital. As in the days of the Popular Front in Spain, stalinization of the unions is advanced hand in hand with their liberal policy towards capital. The perspective of the banks and the treasury ministries now has massive support, via the ANC and the SACP, in the organized working class. This is the central question in South Africa today. It represents the political alignment of the workers with the heirs of Cecil Rhodes.

The content of the policy of financial sanctions, as advanced by the leaders of Cosatu, can be seen in practice in a very major step already taken by the National Union of Mineworkers, the biggest union in the country (and no doubt, in the continent). In sharp contrast to manufacturing industry in which the workers had to form their own unions before compelling recognition from the employers, the compound system on the mines was virtually impregnable to union organization until a strategic political decision was taken by mining capital. The decision of the Chamber of Mines to open the compounds to union organizers, agreed in October 1982 – mainly at the urging of Anglo American – has since paid rich political dividends.

It was on the mines, a closed world insulated from the most radical currents of thought, that conditions were best developed for initiating the Bismarckian *Realpolitik* that governs the current process of negotiations with the ANC. Agreed procedures between the Chamber of Mines and mineworkers' representatives permitting access of NUM to the mines were followed within three years by the mission to Lusaka of Gavin Relly, chairman of Anglo American, for discussions with the ANC.

As Relly states in his 1989 annual report, Anglo American has sought as one of its 'core aims [to promote] a sense of belonging, and hence participation in and identification with our operations' (p.9). It seeks an 'interface' with the unions, speaking of a 'revolution of economic opportunity' in which blacks 'liberate themselves from the oppressive arm of officialdom and take charge of their lives in a way which was simply not possible in the past...' (p.11). In South Africa today a few key words like 'liberate', 'revolution' and 'oppressive' go a long way. Similar thinking is expressed in an earlier book by Anton Rupert, whose Rembrandt group was once – oh days of yore – the object of ANC boycott. Rupert envisages the future of the country along the lines of Hong Kong, Taiwan, South Korea and Singapore, none of them countries characterized by excessive concern for workers' welfare or democratic liberties (p.102).

In the interests of this 'revolution of economic opportunity', Anglo American initiated its Employee Shareholder Scheme in 1988. By March last year 69% of its 192,000 'lower grade' employees were registered as (individually miniscule) shareholders in their own exploitation. Far more important, it established also an industry-wide provident fund for black mineworkers in association with the NUM, with a board of trustees drawn jointly from mining capital and the union. The secretary of NUM, Cyril Ramaphosa, will be its first chairman. Through such structures Anglo American aims to build up a trade union bureaucracy and a labour aristocracy among black workers, through which it hopes to control the class, while at the same time greatly expanding the scope of finance capital.

Given the centralized nature of capital in South Africa, this is the high road towards company unionism. The implications of this joint venture between capital and labour have unquestionably been concealed from the mineworkers. Irrespective of the good intentions of individuals, and irrespective of the protection this will afford to mineworkers as individuals within

capitalist society, the setting up of the provident fund represents an enormous acceleration of bourgeois, anti-working class politics among the workers and an access of strength to capital. This fund – to use a phrase dear to the heart of Gavin Relly – will act to ‘suck [the workers] into the system.’⁴

In the first place, trustees acting for the union will find themselves drawn – even against their wills – into friendly, day-to-day co-operation with the bosses in the clublike atmosphere beloved by the British ruling class. The scope for corruption, political even more than personal, is breathtaking. Secondly, but even more important, ‘the fund is likely to become the biggest statutory saving institution in South Africa’, according to Relly in his chairman’s statement (p.9). This stands to reason. Even with the future decline in numbers, which is certain, the mineworkers will remain the biggest individual section of the working class in South Africa for a long time to come, and their numbers will provide a massive base for accumulation of savings. In seeking to maximize the fund’s investments, its trade union directors thus become responsible for managing vast financial power. Imperceptibly they must come to think in the same way as their fellow directors drawn from the employers as they determine the operations of one of the most influential elements of modern financial capital. The criterion of profit and the criterion of worker solidarity necessarily come into conflict in such a financial institution, irrespective of the moral character of its leading personnel.

The Logic of Abstract Capital

One sees here the truth of Trotsky’s comment in the last months of his life, that ‘the whole task of the bourgeoisie [consists in] liquidating the trade unions as organs of the class struggle and substituting in their place the trade union bureaucracy as the organ of leadership over the workers...’ (Trotsky, p.74). In a study of financial institutions in Britain published in 1982, John Plender noted that pension funds had reached the stage where they would ‘soon become the most powerful group of proprietors in the private sector of the economy, [through a process that was] largely imperceptible to the lay public’ (pp.15,13). He quotes Richard Titmuss, writing as early as 1958 on the growing power of insurance companies and pension funds, the equivalent to the Anglo American/NUM provident fund:

It is a power concentrated in relatively few hands, working at the apex of a handful of giant bureaucracies, technically supported by a group of professional experts, and accountable, in practice, to virtually no-one (p.19).

The consequence of this trend towards institutional saving, according to Plender, is that ‘capitalism has become depersonalized in Britain to an extent not seen in any other advanced Western democracy’ (p.18). Extreme concentration of wealth within a small group of funds had brought about a profound change in the balance of power within financial capital, charac-

terized by relative decline of the merchant banks. By 1980 the biggest of the funds, the Prudential, managed sums amounting to 'twice the combined gross assets of N.M. Rothschild, Baring Brothers, Hambros and Lazard Brothers, financial houses that used to dominate the world's capital markets' (p.17).

At the same time, the merchant banks now act very frequently as investment managers for the pension funds. A merchant bank or a firm of stockbrokers will in all likelihood manage the NUM-Anglo American provident fund. But even if management is carried out 'in-house', as in some of the larger pension funds in Britain, the essence of the activity remains the same. Finance capital is in charge, not the workers or their representatives. This social contradiction within South Africa will prove the same as in Britain, where pension funds of workers in the nationalized industries 'spawned some of the most powerful engines of modern finance capitalism...' Anglo American has no doubt drawn from this experience. As Plender states, 'Many Conservatives...believe that the best way to sell capitalism to the workers is through the medium of collective savings...' (p.30).

That is the point made by the *Economist* in an article on the release of Sisulu and other ANC leaders. The journal seeks to de-politicize the proletariat as quickly as possible with the assistance of the ANC leaders, which it is overjoyed to find them 'so mellow'. Under the heading 'Small is beautiful,' it argues for the rapid break-up and privatization of state corporations such as Iscor, mainly to hide links between politics and economy that are now strongly grounded in the consciousness of the workers. It seeks to maintain an atomized, depoliticized working class, such as exists in the major capitalist countries. Concealing the fact that privatization will simply place yet another lever of accumulation in the hands of Anglo American or related interests, it suggests that capital should 'steer some of the shares to the workers in each industry, to worker pension funds and the like' (21 October).

The cynicism with which this is proposed throws light on what Anglo American has already carried through, helped by the leaders of Cosatu. As a force of purely abstract capital confronting a still very concrete form of labour, the provident fund must undermine the capital that sustains it since as the rate of profit in South Africa tends to decline it will simply move its investments elsewhere. The provident fund as a form of abstract capital is by its nature parasitic, feeding off and weakening its industrial base, and conforms perfectly to the nature of finance capital, which the ANC and the SACP see as a force of liberation.

Trade Unions at the Crossroads

The trade unions in South Africa now stand at a critical juncture. By endorsing the ANC strategy of working through finance capital, and by promoting negotiations in what is in essence a bourgeois political process, the leaders of Cosatu anticipate and enforce a continuing servile role for the working class. As for the National Council of Trade Unions (Nactu), which

has rejected negotiations 'at the present stage' along with the PAC and the Black Consciousness Movement, its numbers are less than those in Numsa alone, and its opposition to negotiations is far from clearly thought out. These negotiations are in any case already a fact of life, and cannot be escaped. The point is that clarification of the relations between finance capital and all classes and strata in South Africa is urgently necessary in light of the strategy of the ANC/SACP, above all in the unions. Without this insight it is not possible for the workers to defend their interests.

One thing is certain: on the day after the ANC receives a presence in government, the class struggle of the workers will begin to be directed against it. Every one of its actions, and still more its lack of action, will be evaluated against the very rich experience gained by these workers during the course of their struggle for existence against capitalism run by and for whites. All these questions have already come to a head in Zimbabwe, and will shortly do so in Namibia.

The great men of the future must have nightmares over what they are going to do about this force that has lifted them up, only to remain chained to the rock of insecurity where capitalism confines it. The decades of politicization of the proletariat in South Africa will then be turned against its own previous politics, and with it the bearers of that politics, the ANC and the SACP. The political strategy of the left in South Africa must now be directed towards preparing the strongest possible base in the working class for that day after tomorrow, when the workers will again turn out for work, this time to clean up after the Festival of Liberation. There are no short cuts, no easy solutions, no simple way of avoiding a very oppressive period before the class struggle of the workers resumes against its new political masters. The question of strategical orientation, and the tactics to be derived from it, urgently needs to be clarified. This is not the place for that discussion. It is enough to point out that the future of the workers under finance capital will be no more happy than the past, while their objective strength in the society will be all the greater.

Notes

1. The history of boycott in South Africa is as old as the struggle against discriminatory legislation. In its many forms it has included the boycotting of buses or trains, shops, beerhalls, or schools; rejection of 'advisory bodies' and of 'Native Representatives'; the refusal to accept passes; the opposition to cattle dipping and 'better schemes' in the Reserves. There have been calls for cultural and for sports boycotts, for consumer boycotts and for sanctions against South Africa. Some of these have been discussed in separate studies but there is no comprehensive discussion of the efficacy of these tactics in South Africa. This article is confined to the question of economic sanctions.
2. By 1988 total flows of finance to the so-called 'third world' reached the lowest point of the whole decade, while net outflow to the richest countries

in the world increased more than four times over the total for 1987, from \$2.5 billion to \$10.9 billion (OECD, Paris, reported in *Guardian*, 5 September 1989). According to the World Bank, developing countries paid their creditors a record \$50.1 billion in 1988, making a net transfer of wealth greater than in any previous year. The Bank itself, whose supposed purpose of existence is to promote development in these countries, last year received back \$1.53 billion more in interest and capital repayments than it lent (*Guardian*, 18 September 1989).

3. Gold production in South Africa, still in first place, had fallen to little more than 40% of the total from the non-Stalinist countries by 1988, down from about 70% in 1980 (*Gold 1989*, pp.15,7).

4. Speaking about purchases from small black-run suppliers, Relly said the aim of Anglo American was to 'use our clout — our buying clout particularly — to suck into the system, so to speak (I don't mean the political system, I mean the economic system) as many people as we can.' *The Money Programme*, BBCII, 17 December 1989.

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