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## Shifting Sands of the Global Economic Status Quo: The Emergence of the “New” Global South developmental policy narrative and South Africa’s Special Economic Zones

African Centre for Citizenship and Democracy Policy Paper #2/2 on South Africa’s Special Economic Zones in Global Socio-Economic Context November 2019. Meshack Mbangula, Desmond D’Sa, Eric Toussaint, Lisa Thompson and Patrick Bond

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# SHIFTING SANDS OF THE GLOBAL ECONOMIC STATUS QUO: THE EMERGENCE OF THE "NEW" GLOBAL SOUTH DEVELOPMENTAL POLICY NARRATIVE AND SOUTH AFRICA'S SPECIAL ECONOMIC ONES.

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## SUMMARY

This policy paper continues the thematic exploration of SEZs in South Africa against the backdrop of the current crises facing the global capitalist system, including the impending climate catastrophe. The ways in which these crises affect South Africa's global, continental and regional trajectory are considered with more specific case studies. These are explicitly vulnerable to the ebb and flow of capital associated with the Brazil-Russia-India-China-South Africa (BRICS) bloc, the Forum on China-Africa Cooperation (FOCAC) and the Belt and Road Initiative (BRI). Such forms of Southern and Eastern collaboration are contrasted with the increasingly tense trade relationships South Africa has with the United States in which trade is a form of retaining global hegemonic status by any means possible, Britain undergoing a chaotic Brexit process, and the G20 whose Compact with Africa investment initiative emanated from Germany in 2017, with South Africa as a central facilitator.

Of critical importance is how the global socio-economic-environmental crises now emerging will affect development prospects and narratives regarding not only South Africa's export-oriented, carbon-intensive micro- and macro-economic policies. In addition, at stake is a broader South-South collaboration strategy, based upon development of a counter-hegemonic Global South strategy to accelerate 'inclusive' development, driven increasingly by Chinese and Indian capital aiming to take advantage of South Africa's Special Economic Zones (SEZs).

The SEZs began as Industrial Development Zones promoted especially by Western-oriented extractive-sector corporate interests, aiming to stimulate beneficiation and manufacturing. They were endorsed by the Department of Trade and Industry (dti) in 2000, and rebranded through 2014 legislation that provides a generous array of corporate-welfare incentives.

Since then, in part due to shortfalls in energy supply, the SEZs initially contributed little to industrialisation, as acknowledged by Finance Minister Tito Mboweni's August 2019 policy paper, Economic transformation, inclusive growth, and competitiveness. Nevertheless, the dti steadfastly invests huge amounts of capital and operating subsidies into their establishment. President Cyril Ramaphosa, Mboweni and Trade and Industry Minister Ebrahim Patel place great faith in the development potential of the SEZs.

Since the implementation of the 2014 SEZ Act, the annual allocation of state investment in SEZ infrastructure and operational subsidies nearly doubled, and the number of proposed SEZs is growing. It is no exaggeration to say that from national government's developmental policy planning trajectory statements and dti documentation, the SEZs are seen as the fulcrum of South Africa's development strategy in the decades to come.

The pages below examine the functionality of three SEZs at very different stages of development: the long-established Coega Development Corporation (CDC) in Nelson Mandela Bay (formerly Port Elizabeth), the rapidly-emerging Dube Trade Port in the eThekwini (Durban) municipal area, and the proposed Musina-Makhado Energy-Metallurgical SEZ in northern Limpopo Province. Measures of their functionality include government capital expenditure to employment creation ratios, inclusive development indicators, and contributions to climate change. We also consider prospects for SEZ exports into a 'deglobalising' world economy suffering major gluts in various sectors (especially metal products and automobiles), amidst an overall decline in Foreign Direct Investment (South Africa's new FDI is largely fictitious, in search of high interest rates on intra-company loans).

Fieldwork and community dialogues in the three areas reveals that the SEZs remain poorly integrated into Local Economic Development (LED) planning. Moreover, linkages between national and local development development strategies are lacking.

These shortcomings have implications for the economy as a whole, but of most concern is the expectations being created that SEZs will generate development that can address structural inequalities experienced by nearby communities. Again and again, we find that the hype exceeds the reality, and that this hype draws South Africa ever further from genuinely sustainable development.

The Community Dialogues and local political economy fieldwork have been facilitated and informed by 2018-19 catalytic-action research linkages with the South Durban Community Environmental Alliance (SDCEA) in eThekwini and in Musina-Makhado, Mining Communities Unite in Action (MACUA) and Women Affected by Mining Unite in Action (WAMUA). The Nelson Mandela University Department of Development Studies is also thanked for facilitating a community debate on Coega, in February 2018.

# 1 INTRODUCTION: SOUTH AFRICAN SPECIAL ECONOMIC ZONES IN GLOBAL PERSPECTIVE

Since the 1960s, global development policy narratives have been strongly influenced by the export-led growth successes of the East Asian region, initially led by Japan, and then by Taiwan, South Korea, Hong Kong and Singapore. The next 'Newly Industrialising Countries' were Malaysia, Thailand, Indonesia and then China, which eclipsed and redefined the regional development model. Vietnam and the Philippines have subsequently taken up the momentum of supplying new sites of export-oriented production, relatively unhindered by the West's labour movements, environmental regulations, and safety and health protections. In subsequent years, Bangladesh and now Ethiopia have been targeted as countries with large reserves of desperate workers.

The East Asian miracle generated national economic growth cycles that defined world capitalism. Given the special prowess, market size and economies of scale within the China, its accumulation strategies have been most profound. The ACCEDE SEZ Policy Paper #1 covered recent trends, especially towards overproduction as a consistent feature of Chinese growth, but it is worth returning to a central point: the export-led growth model's success and failures were due to postwar geostrategic power dynamics and the particular boom and bust cycles of the global economic system since the 1970s.

The roles of geostrategic contingencies and economic history in dominant development narratives are unsatisfactory, hence the first policy paper took care to demonstrate that instead of a steady globalisation opportunity for South Africa to expand its export-led growth strategies, instead the threats posed by deglobalisation require serious consideration. A common feature of G20, BRICS and Global South (including FOCAC and the AU) developmental policy narratives at present is the critical importance of Special Economic Zones (SEZs) as a vehicle for ensuring globally-connected, technologically appropriate industrialisation and manufacturing value chains. This policy narrative has dominated in the dti SEZ reports, gaining high prominence in 2015/6 dti Bulletin and the 2017/8 dti SEZ Advisory Board Baseline Report.

Initially the SEZs were first legislated as Industrial Development Zones (IDZs). The first IDZ, the Coega Development Corporation (CDC), was designated in 2000 and began its establishment through dti infrastructural investment in 2001. It was established in the Nelson Mandela Bay Municipality (NMBM) to boost development through the provision of infrastructure, to attract and support Foreign Direct Investment (FDI) and to stimulate export-led growth. Employment creation continues to feature prominently as an objective of the IDZs/SEZs. The first Industrial Development Zones were located close to ports in areas lagging economically: the Eastern Cape (Coega) and in 2002 the East London Industrial Zone and northern KwaZulu-Natal at Richards Bay. By 2015 a further three Zones were designated, at OR Tambo airport, Saldanha Bay on the west coast, and Dube Trade Port adjacent to the new King Shaka International Airport north of Durban (dti, SEZ Bulletin, 2015/2016) (Table 1).

Table 1: South Africa's designated SEZs

| Province | Name of the SEZ | Designated under Manufacturing Development Act No. 187 of 1993 | Designated as per SEZ Act No. 16 of 2014 | Approved for tax incentives |
|---|---|---|---|---|
| Eastern Cape | Coega | x | | x |
| Eastern Cape | East London | x | | x |
| Eastern Cape | Wild Coast: Mthatha | | | |
| Free State | Maluti-a-Phofung | x | | x |
| Gauteng | OR Tambo | x | | |
| Gauteng | Gauteng Science and High-Tech Hub | | | |
| KwaZulu-Natal | Richards Bay | x | | x |
| KwaZulu-Natal | Dube TradePort | x | | x |
| Limpopo | Musina-Makhado | | x | |
| Limpopo | Tubatse | | | |
| Mpumalanga | Nkomazi | | x | |

Source: SEZ Special Advisory Board Report, 2019.

The IDZs were established by the dti under the guidance of the former Minister, Rob Davies (2009-18), who was replaced by Patel. The IDZs' predecessors were deconcentration points that were deliberately located outside of the main metropolitan areas, mostly on the border of former apartheid 'bantustans' during the 1980s. The point was to establish incentives for labour-intensive manufacturing that would slow urban migration pressures and, in some apartheid planners' visions, permit the 'self-governing' homelands to become fully-fledged countries. There was a small degree of FDI associated with these sites, including Taiwanese and Israeli factory owners, though most were South Africans. Once national subsidies were withdrawn during the 1990s and imported East Asian clothing, textiles, footwear, appliances, electronics and other light industrial goods increasingly displaced local manufactured goods, the deconcentration points collapsed.

The structural and economic distortions of the apartheid economy included an internal market that relied heavily on artificially-cheap exploitable labour. The inexpensive character of workers was in part due to the feminisation of poverty, in which migrant workers moved for 11 months of the year from distant bantustans to productive sites where their wages would not cover standard family reproduction and where urbanisation was limited to the 'temporary sojourner.' That left rural women to cover childcare costs (given the lack of schools), rehabilitation of ill or injured workers (without medical aid or adequate state clinics), and retirees (where pensions were inadequate). These were the kinds of expenses that normal capitalist development internalised within state social policy or company benefit schemes, but that in South Africa were, for the majority of blacks, foisted onto the women in bantustans. This system allowed multinational corporations and local firms to enjoy extremely inexpensive labour, an apartheid hangover that remains to this day in many low-skilled economic sectors.

The South African economy was, for many firms, the "Gateway to Africa," largely as the legacy of British and Portuguese colonialism in the region. It was globally integrated in terms of its leading regional branch-plant status for multinational corporations, but very little value was added to exports. South Africa was, and still is, largely a commodity export-driven economy with the exception of the auto industry. The limits of capital accumulation reflected the racially-skewed internal market where the white minority held most of the economic resources, purchasing power, and land.

In 1994, the government initially attempted to address these distortions in terms of grand plans, beginning with the Reconstruction and Development Programme (RDP). However, pressure from the International Monetary Fund (IMF), World Bank, World Trade Organisation and international financiers rose, leading in 1996 to the adoption of a classic neoliberal structural adjustment plan: the Growth, Employment and Redistribution (GEAR) strategy, which immediately unravelled the redistributive agenda of the RDP. GEAR failed to address internal, regional and global economic and social investment structural distortions.

The following analysis makes clear that in this context, IDZs/SEZs have contributed very little to growth, redistribution or employment, all of which have declined in comparison even to the apartheid era. The latest Special Economic Zone Advisory Board Report released in 2019 maintains that SEZs are linked to the 2012 National Development Plan and the 2009 Industrial Policy Action Plan. The SEZ Act No. 16 of 2014, which the implementation of which began in February 2016, automatically redesignated all IDZs as SEZs and introduced a host of incentives for both foreign and domestic investors. Since 2016, new SEZs have been designated and dti spending on establishing the zones has risen (SEZ, Special Advisory Board Report, 2019).

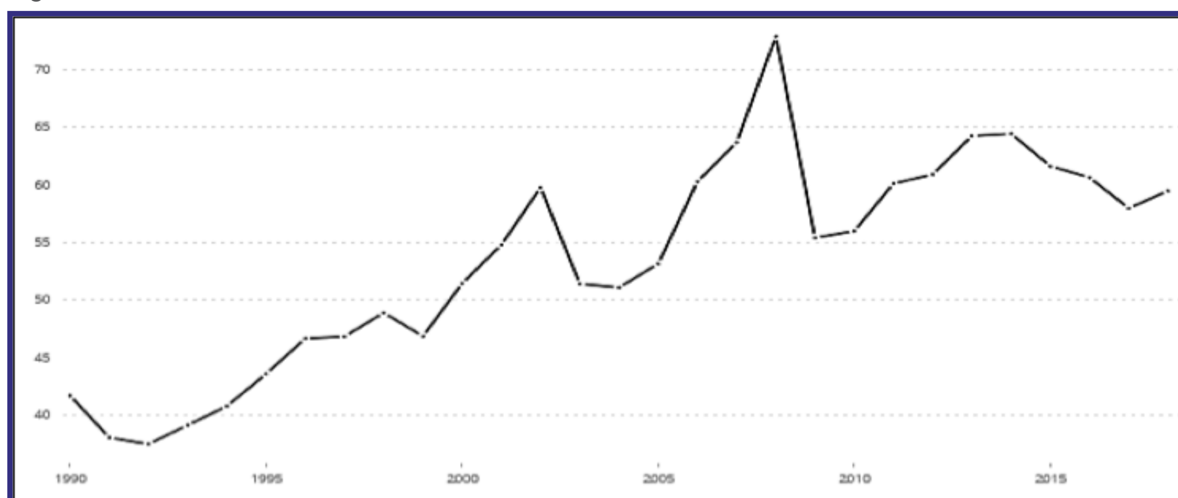
The restructuring of the IDZs into SEZs is promoted as a change in development policy to enhance integration into global value chains. But the realities of the SEZs' investment, growth and employment trajectories do not reflect the state narrative policy shift. Another notable rhetorical feature of SEZs is a commitment to sustainable development in national policy. Yet a carbon-intensive focus prevails within the zones. For example, Coega was originally set up in part to attract a major anchor tenant, and in 2006 the Canadian aluminium firm Alcoa agreed to establish a major smelter there, assuming reliable and very inexpensive electricity would be supplied by the state (a fatal assumption, as load-shedding and supply shortfalls began soon thereafter). Both Coega and the Dube Trade Port have become home to major automobile plants (albeit semi-knockdown in character at this stage, with less electricity entailed in parts manufacturing than in other such plants). The South African Energy and Metallurgical Special Economic Zone (EMSEZ) being planned for Musina-Makhado SEZ will be extremely carbon-intensive, requiring at least a 3300 MW coal-fired power plant just for its own consumption needs.

According to the 2018 Advisory Report (2019: 13), there is a policy shift away from simply "…develop(ing) the manufacturing sector through encouraging investment in export-oriented industries, with an emphasis on beneficiation and import substitution. The SEZs, on the other hand, are intended to drive the country's industrialisation agenda… articulat(ing) the dire need for structural change in the economy, including the diversification of exports, value addition and industrial decentralisation. The SEZ programme has been specifically designed for the attraction of FDI, the creation of decent jobs and new industrial hubs, and the development and improvement of existing infrastructure".

Although there is a degree of consciousness within dti about the needed 'structural change,' the overarching emphasis is still based upon South Africa's (subservient) role within the international division of labour. Mboweni's August 2019 'Economic Transformation, inclusive growth, and competitiveness' strategy emphasises the 'need to promote export competitiveness and actively pursue regional growth opportunities in order to leverage global and regional value chains for export growth' along the lines the World Bank has traditionally promoted. Moreover, 'Exports have been identified as a key driver of economic growth.'

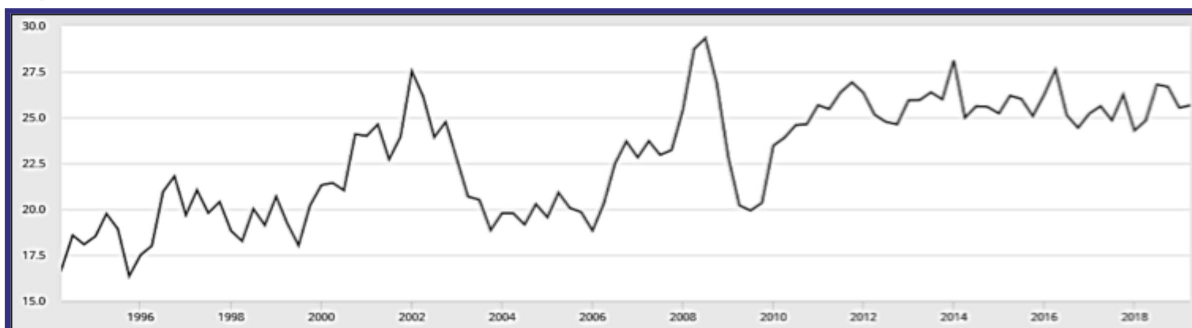
Yet as shown in the first policy paper, the 'deglobalisation' era began in 2007 and South Africa – like most of the the rest of the world – peaked that year. After rising steadily due to the end of apartheid-era trade sanctions and new macroeconomic liberalisation policies adopted during the 1990s (including joining the World Trade Organisation), South Africa's trade to GDP ratio doubled from 37 percent in 1994 to 73 percent in 2007. But trade then crashed in 2008 and the ratio has proceeded to stagnate below 60 percent in recent years, with further decline anticipated in 2019 (Figure 1). Considering just exports, the 1994 ratio to GDP was 16.7 percent, and it rose to 29.3 percent in 2007 before declining to 25.7 percent in mid-2019 (Figure 2). (The peak year in modern history was 1979, when due mainly to the gold price's rise, the ratio of exports to GDP was 31.1 percent.)

Figure 1: South African trade/GDP, 1990-2018




Source: https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?end=2018&start=1990

Figure 2: South African exports, April 1994 - April 2019




Source: https://fred.stlouisfed.org/series/XTEXVA01ZAQ188S

To illustrate the problem of South Africa's current adverse insertion in the world economy, various difficulties have been encountered since Donald Trump came to power in 2017, and with Brexit looming, the ratio will decline further. The Trump regime's imposition of irrational trade sanctions against South African steel and aluminium producers continues to affect exports. In October 2019, the U.S. government formally put Ramaphosa on notice that if he signs a parliament-approved bill providing for 'fair use' in Intellectual Property reform, that could end Africa Growth and Opportunity Act provisions that permit auto imports to the U.S. on favourable terms. In addition, unless a rapid free trade agreement is signed with the British government, South African exports will be affected by a 10 percent import tariff once Brexit comes into effect. The U.S. and Britain are the third and fourth main export markets for South African goods (Table 2). South Africa is extremely vulnerable to changes in these two markets given that automobiles are in the third main export category ($10.9 billion in 2018) and steel and aluminium are also major export categories ($8.3 billion) (Table 2).

Table 2: South African exports, by country and type of product (2018)

| | |
|---|---|
| China | $8.54B |
| Germany | $6.70B |
| United States | $6.36B |
| United Kingdom | $4.81B |
| Japan | $4.48B |
| India | $4.42B |
| Botswana | $4.07B |
| Namibia | $3.56B |
| Mozambique | $3.22B |
| Netherlands | $3.10B |
| Belgium | $2.44B |
| Zambia | $2.42B |
| Zimbabwe | $2.31B |
| South Korea | $1.90B |
| United Arab Emirates | $1.81B |
| Hong Kong | $1.43B |
| Spain | $1.38B |
| Swaziland | $1.37B |
| Lesotho | $1.31B |
| Congo | $1.28B |
| Pakistan | $954.46M |
| Switzerland | $953.65M |
| Italy | $950.54M |

| | |
|---|---|
| Pearls, precious stones, metals, coins | $16.12B |
| Ores slag and ash | $11.65B |
| Vehicles other than railway, tramway | $10.86B |
| Mineral fuels, oils, distillation products | $9.93B |
| Iron and steel | $6.29B |
| Machinery, nuclear reactors, boilers | $5.80B |
| Edible fruits, nuts, peel of citrus fruit, melons | $3.68B |
| Aluminum | $2.03B |
| Electrical, electronic equipment | $1.81B |
| Plastics | $1.44B |
| Beverages, spirits and vinegar | $1.42B |
| Articles of iron or steel | $1.41B |
| Inorganic chemicals, precious metal compound, isotope | $1.36B |
| Organic chemicals | $1.13B |
| Miscellaneous chemical products | $1.04B |
| Pulp of wood, fibrous cellulosic material, waste | $907.35M |
| Copper | $740.59M |

Source: https://tradingeconomics.com/south-africa/

So with two of the main Western markets appearing to fade, it is instead to South-South opportunities that the government has turned, especially the BRICS bloc and FOCAC. The latter began in 2000 and in 2006, a Beijing Summit reflected a new emphasis by China on attracting African leaders. South Africa hosted FOCAC in 2015, but the largest summit was held in September 2018 in Beijing, and there, as we discuss later, Ramaphosa gave generous publicity to the Musina-Makhado SEZ as South Africa's primary Belt and Road Initiative project.

Especially since Ramaphosa's induction as President in February 2018, the BRICS Sandton Summit in July 2018, and the FOCAC Beijing Summit in September 2018, SEZs have been touted as the solution to South Africa's economic problems. Policy paper 1 explored how South Africa's encouraging FDI figures for 2018 (a 441 percent increase on 2017) cannot be taken at face value: the rapid rise from 0.3% to 2.23% of GDP was largely due to intra-company loans, as headquarters sought high-interest outlets for their liquid funds, using South African branch plants as borrowers, a kind of Illicit Financial Flow in which interest payments had no correlation to investment and production, according to the United Nations Conference on Tarde and Development (UNCTAD 2019). Nevertheless, the potential of SEZs to boost what BRICS and FOCAC media platforms term 'inclusive development' remains a vital part of South African state rhetoric. This optimism is striking in the 2019 SEZ Advisory Board Report.

South Africa is already generous to foreign investors in providing tax incentives, especially for labour-intensive activities (Table 3). The 2014 SEZ legislation introduced additional investor incentives, some of which raised questions about the balance between attracting FDI and domestic greenfields investment in the zones on the one hand, and establishing a form of economic development that redresses the startling inequalities that remain prevalent in South Africa on the other hand (Table 4).

Table 3: General South African investor incentives

| Incentive | Benefits | Who does it apply to | Special Conditions |
|---|---|---|---|
| Employment Tax Incentive | Reduces the amount of Pay-As-You-Earn tax. | All companies within an SEZ employing low-salaried workers (>R60k pa) | See SARS |
| Building Allowance | A capital (depreciation) allowance on buildings for the erection or improvement of buildings/fixed structure Rate: 10% per annum for 10 years | Qualifying businesses within certain approved SEZs | Qualifications in: S12(R) and (S) Income Tax Act, 1962 |
| 12i Tax Allowance | Support for capital investment and training | Greenfield and Brownfield investments | Qualifications in: S12(i) Income Tax Act, 1962 |

Table 4: Specific South African SEZ investor incentives

| Incentive | Benefits | Who does it apply to | Special Conditions |
|---|---|---|---|
| VAT and Customs relief | Import duty rebate and VAT exemptions<br>VAT suspension on goods sourced from South Africa<br>Efficient and expedited Customs administration | Companies in Customs-controlled areas within an SEZ | Those in the following Acts:<br>• Value-Added Tax Act, 1991<br>• Customs Duty Act 2014<br>• Customs Control Act, 2014 |
| Preferential Corporate Tax rate | Reduced corporate tax to 15% (from 28%) | Qualifying businesses within certain approved SEZs | Qualifications in:<br>S12(R) and (S) Income Tax Act, 1962<br>S24 (4) SEZ Act, 2014 |

To provide guidance in relation to these incentives, government's SEZ Advisory Board is marketed as "… an independent body established through the SEZ Act." The 16 member Board functions to

*advise the Minister on policy and strategy in order to promote, develop, operate and manage SEZs; monitor the implementation of the SEZ policy and strategy and report to the Minister on an annual basis on the implementation of such policy and strategy; consider an application for designation as a SEZ and recommend to the Minister whether to approve the application and grant a SEZ licence to the applicant; consider an application for an operator permit and recommend to the Minister whether to approve the application; consider an application for the transfer of an operator permit and recommend to the Minister whether to approve such application with or without any condition; liaise with SEZ Board and an operator on the implementation of the SEZ strategic plans; report in the prescribed manner to the Minister on progress relating to the development of SEZs; advise the Minister on the establishment of a single point of contact or one-stop shop that delivers the required government services to businesses operating in the SEZs in order to lodge applications to various government authorities and agencies and to receive information on regulatory requirements from such authorities and agencies; advise the Minister on initiatives to market SEZs; and to assess and review the success of SEZs.*

The Advisory Board may also "conduct investigations on any matter arising out of the application of this Act." However, the Board comprises governmental stakeholders whose capacity to provide oversight is questionable, including representatives of the SA Revenue Services, the National Treasury, the Department of Public Enterprises, Transnet, Eskom and the Industrial Development Corporation. Outside the state, the National Economic Development and Labour Council (NEDLAC) is the sole institutional forum for organised business, labour and civil society, but suffers a reputation as an unaccountable "closed shop" in terms of its labour and community constituencies. The latter have been dominated by NGOs and a South African National Civic Organisation lacking strong critical capacities (such as are regularly demonstrated by community and environmental activists). Meanwhile, the labour wing of NEDLAC excludes the country's second-largest union movement, the militant South African Federation of Trade Unions (with around 800 000 members) because it was a breakaway from the Congress of South African Trade Unions (COSATU) on grounds that COSATU was incapable of providing a sufficiently strong critique of the ruling party (its Alliance partner). Hence NEDLAC became a corporatist institution which critics argue is a 'toy telephone' (Bell, 2018). Even COSATU itself warned in 2016, "Government continues to boycott and undermine NEDLAC by sending junior bureaucrats with no decision-making powers, while big business continues to condescendingly treat NEDLAC as a platform, where they think that they can go make presentations and not engage" (COSATU, n.d:1)

The SEZ Board is also biased, insofar as the façade of development it endorses is not born out by the reality within the zones. For example, the 2018 SEZ Board Report states (without any trace of irony),

*Despite the depressed global and domestic economic conditions, the SEZs are tenaciously moving forward with their investment and operational targets. Since the previous financial year, investment attraction into the designated zones is gaining momentum. At the end of the 2016/17 financial year, a total of 70 investors with an estimated investment value of R9.6 billion were operating in the zones. At the end of the 2017/18 financial year, the number of investors had increased to 88, valued at R15.5 billion. The number of secured but non-operational investors is 63, with an investment value of R34 billion. To date, the total number of jobs created in the zones is 12 380" (emphasis added).*

Aside from capital intensity (each job costs R1.25 million to create) and as we see later, the projects' carbon intensity, perhaps the most disturbing feature of the SEZs is their reliance on the People's Republic of China (PRC) for both capacity-building for SEZ management, FDI within two of the zones (Coega and Musina-Makhado), infrastructural investments linking the zones, and China's longer-terms plans to bring South African SEZs into the Belt and Road Initiative (BRI). As the SEZ Special Advisory Board reported (2017:19),

*a delegation consisting of 20 officials from SEZs and the dti was trained in China between April and May 2016. The training programme focused on the planning, development, management and operation of SEZs. This is a part of the five-year agreement between South African and Chinese government to train at least 150 South African government officials on SEZs. For 2017, a proposal was made to the Chinese Government to offer this training to the Advisory Board members, who are expected to provide an oversight role.*

The 2019 SEZ Advisory Board Report confirms the increasing scope of this programme: in May 2017, 50 officials from the IDZs, provinces and local municipalities received training in China. Such has been the popularity of the programme that the dti and Beijing's ministry of foreign trade (MOFCOM) have extended it for more five years. It now includes training for the proposed South African Industrial Parks. In 2018, the entire SEZ advisory board went on an extended "study tour" to China.

Capacity building on developing the SEZs according the Chinese 'model' and the inordinate expectations by national and provincial government for the Zones to raise South Africa's ongoing economic development problems is very concerning in the light of both the ideational influence of China on South African development but also the very real prospect of even further fiscal indebtedness, State-Owned Enterprise (SoE) corruption and the extension of Chinese economic problems into the domestic market. Chief of these, and not specific to China, is the way in which the zones have created very little local employment and have failed to integrate capital accumulation with local economic development initiatives. While these drawbacks of SEZs are acknowledged by the UNCTAD 2019 SEZ Report, it appears as if South Africa's dependency relationship to Beijing is hidden behind official marketing rhetoric. The SEZ narrative has been absorbed by state officials without much critique, and reproduced more generally in national SEZ propaganda, even reaching into the new Treasury economic strategy which suggests further degeneracy of labour standards within SEZs.

To better understand the ideational influence of China on the South African government, the new development narrative that has emerged to address South-South Collaboration (SSC) is discussed below. Following that review, details will be provided about three SEZs that were chosen for this pilot study, for they represent the SEZ narrative at different stages of development.

## SOUTH-SOUTH COLLABORATION AND THE NEW CONSTRUCTION OF THE GLOBAL SOUTH

In terms of historical contingencies, Chinese-led SEZ promotion in Africa faces a specific set of global economic factors: impending global recession and extreme financial volatility reminiscent of 2008 conditions; U.S.-Chinese economic and geopolitical rivalry (and threatened resumption of the trade war at any time depending on Trump's whims and nationalist-protectionist politics); and declining terms of trade for commodities across the Global South. The PRC's SEZ 'wisdom' does not reflect historical contingencies, and like modernisation theories, poses the idea of a linear progression towards development, led by export-driven state policy framings.

Indeed when constructing the alternative model of SSC, the PRC emphasises Chinese capitalism's outward orientation, especially the creation and expansion of export industries in its coastal SEZs (Brautigam and Tang, 2011; 2012; Yejoo, 2013; Zhang, 2017). Even fairly positive accounts of the Chinese SEZs mention both the PRCs passing admittance to labour exploitation as 'trade-offs'. For example, Brautigam and Tang state,

*Shenzhen, Zhuhai, Shantou and Xiamen were set up as experiments in the management of market liberalisation, and as magnets for foreign investment. Despite a slow start, these SEZs proved to be incubators for significant structural transformation. Shenzhen, in particular, grew from a fishing village to an industrialised metropolis within a generation. In 1988, the entire island of Hainan became an SEZ and in 1990, a large part of Shanghai, China's biggest city, was restructured as the Pudong New Area zone. Today China hosts at least a hundred zones in a growing variety: free trade, economic and technological development, and high-tech zones. Chinese officials candidly analyse these zones as being quite positive in fostering growth, employment and an investment-friendly environment, but admit that there are trade-offs, particularly with regard to social and environmental costs (Brautigam and Tang, 2011:).*

Our first paper pointed to the circumstances that made SEZs such a powerful growth stimulus in China and South East Asia. In China, the combination of incentives for FDI and hugely exploitative labour and environmental conditions ensured the rise of SEZs as engines of growth for China and the region. The establishment of SEZs coincided with the outsourcing of industry from the US and Europe ('deindustrialisation'). The 1970s era of capital over-accumulation in the West combined with incentives for profit-making in the SEZs, which allowed for huge profits and regional value added production networks. As a site of production, the Chinese economy became the largest in the region and by some accounts (using purchasing power parity), the world's largest. Chinese regional economic ascendance was based on a specific insertion of the East Asian economies into the global economic system, both in terms of the supply of cheap imports and in absorbing surplus capital and over-capacity in the North.

Cheap labour, a prohibition against independent trade unions and few labour regulations remained features of Chinese capital accumulation well into the 2000s. Similar to the apartheid capitalist system's cheap, abundant, easily exploited labour through the creation of the African homelands or 'bantustans', Chinese capital accumulation was dependent on controlled rural labour migration, which similarly left the rural areas impoverished and under-developed, as migrants suffered extremely oppressive labour conditions (Zhang, 2017). Not only was FDI investment encouraged through packages of corporate tax and other incentives, environmental regulations on industrial and manufacturing pollution were non-existent. China's urban air pollution is notorious and its export of carbon-intensive industries is on the rise, as a result. Ironically, in BRICS and through the New Development Bank (NDB), China is a rhetorical proponent of sustainable development and renewable energy solutions, at the same time as it the highest producer of greenhouse gas. Thus far, the NDB's role in promoting green policies is in doubt, especially in a South Africa where its financing for projects including the largest coal-fired power plant (Medupi), the Durban port expansion and a Lesotho mega-dam all are contrary to sustainability principles.

Although not yet funded by the NDB, the largest proposed South African SEZ, Musina-Makhado EMSEZ, centres around a 3300MW coal-fired plant and related metallurgical industries production chains. Given South Africa's national commitment to Just Transition targets, it is disturbing that Musina-Makhado, an entirely Chinese-funded SEZ, centred on carbon-intensive energy sourcing, especially in a site where water needed for washing coal and cooling the power plant – along with many other likely requirements within the EMSZ – is extremely scarce.

Against this background, the process of establishing China-centric SEZs can be understood not just in terms of the purported 'new' form of SSC based on collective development and win-win benefit. China's expansion into Africa is a combination of Beijing's geostrategic and economic imperatives in managing both domestic economic problems and power struggles with the US, particularly at the United Nations and in multilateral contexts such as the World Trade Organisation. Through FOCAC and BRI, China has become Africa's largest trade and investment partner, and South Africa will be one of the main recipients once Musina-Makhado gets off the ground (FOCAC Declaration, 2018).

Already major Chinese credit and supply arrangements are in place, e.g. with the China Development Bank having made two $5 billion loan commitments to Transnet and Eskom when the SOEs were run by Brian Molefe, in 2013 and 2016 respectively. While the relationships ultimately financed corruption – South China Rail locomotives meant for coal export in the case of Transnet, and the Hitachi boilers in the Kusile coal-fired power plant in the case of Eskom – there continue to be strong links. Sometimes these break, e.g. in the case of Standard Bank's failed relationship with the Industrial and Commercial Bank of China in 2019, or the Hebei Steel factory that never materialised after its high-profile 2014 announcement. But the BRI, or One Belt One Road (OBOR) initiative, will continue to alleviate China's domestic over-capacity by 'going out' to displace both pollution and steel production, and South Africa's Musina-Makhado appears to be the key site for implementation.

In the SSC narrative, BRI could potentially become a counter-hegemonic geopolitical instrument for not only China but Africa too. It would redress poor countries' reliance on direct trade ties with the West, by enhancing the speed and multiple opportunities for different export routes. The BRI shifts the power relationships by routing more trade through Chinese ports and on Chinese rail, road and bridge infrastructure, and in the process creates deep interdependence within countries of the South (Lairsson 2018). BRI in this sense is an offshoot of the particularities of Chinese state-led capitalism and the configuration of social forces that both shaped the evolution of the export-led model of capitalist development, and its reconfiguration into the current SSC narrative, also known as 'Beyond Aid.' The SEZ model follows from powerful linkages between Chinese ruling classes whose material wealth is predicated on export sectors located in SEZs. The South China Sea territorial disputes, in which the US Navy has intervened, reflect China's ongoing subservience to the US military industrial economic complex, and its need to establish corridors through its own western territories, so as to avoid reliance on dangerous sea routes where it might have insufficient military prowess to protect its own maritime activity. BRI in this sense is integral to lessening the Chinese dependence on the US and establishing an inter-imperial counterweight to US world dominance.

In many senses, the BRI initiative and the Chinese emphasis on export-led growth as the form of kick-starting global South and South-South collaboration are intertwined, particularly in relation to the export of Chinese over-accumulated capital, especially in core sectors of the domestic economy (steel, coal-fired power plant construction, autos).

All of this also corresponds to China's need to outsource carbon-intensive industries (in part to lower local pollution levels within China) and its industries' search for agricultural resources, energy and mineral wealth that feature as the primary commodity mainstays for so many countries in the BRI and FOCAC orbits. In April 2019 Chinese Ambassador Lin Songtian, bemoaned the fact that South Africa is not properly part of the BRI:

*Lin made clear that China was impatient for South Africa to join Chinese President Xi Jinping's immense Belt and Road Initiative – which is connecting China to Europe via elaborate development corridors, including one through Africa… despite signing an agreement with China to join the BRI, South Africa had not yet undertaken a BRI infrastructure project… it could thus become the pilot country which the BRI needed in Africa. Lin added that his "dream" was for South Africa to become part of a third BRI "corridor"… linking Limpopo to Johannesburg and thence to the coast at the ports of Durban and Richards Bay, "…(t)his would be the perfect inaugural BRI project for South Africa".*

Lin was also clear that building that corridor would be in China's own economic interests because of the transport difficulties with the PMC mine near Phalaborwa in Limpopo province. The mine was bought out in 2013, but the poor rail infrastructure has created profitability problems. The Musina-Makhado SEZ as well as Coega, Dube Trade Port and Richards Bay SEZs could become critical in the development of this BRI corridor. If successful, China would be certain to establish a clear economic hegemonic footprint throughout Africa. As the subsequent discussion highlights, it is a vision shared by the South African government, endorsed emphatically by both Ramaphosa and the dti, despite the SEZs' clear record of socio-economic under-achievement.

## UNCTAD'S SEZ REPORT

In mid-2019, as Mboweni was preparing to release his new economic policy, a warning shot was heard from Geneva: a reading of global processes that is in profound conflict with South African government assumptions. To be sure, UNCTAD's World Investment Report 2019 offered praise for Dube Trade Port's agri-processing zone and the location of Musina-Makhado SEZ near the Zimbabwe border. Those passing references aside, the global terrain UNCTAD describes is actually quite inhospitable for South Africa's SEZs.

The UNCTAD report addresses global systemic crises and falling FDI levels, and at the same time reinforces the historic importance of SEZs in stimulating the world economy. It is mildly critical of some of the weaknesses of SEZs and also of their limited ability to attract FDI over the long term. According to UNCTAD Secretary General Makhisa Kituyij,

*For some time now, the global policy climate for trade and investment has not been as benign as it was in the heyday of export-led growth and development. Yet the need to attract investment and promote exports to support industrialisation, economic diversification and structural transformation is as great as ever for developing countries, especially the least developed countries. The many new industrial policies that have been adopted in recent years – in both developing and developed countries – almost all rely to a significant degree on attracting investment. At the same time, we are observing a declining trend in cross-border productive investment. The market for internationally mobile investment in industrial capacity is thus becoming increasingly difficult and competitive. The demand for investment is as strong as ever, the supply is dwindling and the marketplace is less friendly then before… (i)n this context that we are seeing explosive growth in the use of special economic zones (SEZs) as key policy instruments for the attraction of investment for industrial development. More than 1,000 have been developed worldwide in the last five years, and by UNCTAD's count at least 500 more are in the pipeline for the coming years. There are many examples of SEZs that have played a key role in structural transformation, in promoting greater participation in global value chains and in catalyzing industrial upgrading. But for every success story there are multiple zones that did not attract the anticipated influx of investors, with some having become costly failures (UNCTAD, 2019: iv).*

The UNCTAD report is helpful in sketching the global North-South and South-South context for SEZs. But it fails to come to grips with multiple SEZ shortcomings. The analysis below regarding the Dube, Musina-Makhado and Coega SEZs unveils how UNCTAD relies excessively upon South African government marketing. In contrast, our fieldwork in the three South African SEZs reveals that the UNCTAD report has serious methodological flaws, in particular a lack of triangulation on the nexus between state investment, FDI and national policy implementation strategies. The latest such national policy framework – offered by Mboweni as part of his Medium-Term Budget on 30 October 2019 – is tentative on SEZs, and as noted below, admits how "It is unclear whether the incentives put in place to encourage firms to locate in SEZs, such as lower corporate income tax rates, are effective at crowding in the desired private investment." Mboweni's framework acknowledges that "We need to develop a more nuanced understanding of the circumstances under which SEZs are most effective." As discussed in more detail in the case studies, preliminary evidence suggests that South African SEZs fall far short of their promises on skills-driven, job-creating, community-based development, not to mention industrial capacitation and manufacturing value chains that benefit the economy over the long term.

The UNCTAD report is useful in another key analytical area: it perfectly illustrates the optimistic SSC narrative on infrastructural and investment 'aid' popularised on BRICS and FOCAC policy platforms. These policy narratives frame development in SEZs as occurring along with a high level of job creation and local entrepreneurial successes (for Small, Medium and Micro Enterprises or SMMEs). To illustrate, UNCTAD uncritically praises South Africa's 2014 SEZ legislation as it contains detail concerning decent work opportunities and participatory development: "In South Africa, the Special Economic Zones Act states that the creation of decent work and other economic and social benefits, including the broadening of economic participation by promoting medium-size enterprises and cooperatives, as well as skills and technology transfer, are among the purposes of SEZ establishment."

But South Africa is replete with constitutional provisions, legislation and policies that offer such promises. As we see below, in the case of long-standing Coega and more recent Dube SEZs, such gains have failed to materialise. In the case of Musina-Makhado, there are warning signs of a lack of accountability, oversight and community engagement (not just consultation). These functional deficiencies to SEZ policy have long term implications for sustainable development in relation to long term employment opportunities and government commitments to moving towards less carbon intensive production strategies as committed to in Just Transition and Climate Change policy pronouncements.

# GLOBAL SOUTH ALTERNATIVES TO NORTH-SOUTH POLICY POWER: 'NEW DEVELOPMENTALISM'

UNCTAD's schizophrenic support for SEZs in spite of the extreme contradictions and impending global recession can be understood in the context of the 'development impasse' that began to affect North-South relations during the 1980s. Earlier international development and global political economy debates had polarised policy between two orientations: socialist/ Marxist/dependency developmental strategies popular during the 1960s-70s thanks to the Economic Commission on Latin America's questioning of U.S.-led modernisation strategies for integrating poor countries into the world economy, versus (neo)liberal economic approaches premised on more such integration, particularly since the 1980s (Ayers 2018).

During the Cold War, geostrategic alliances were also formed as a result of these state policy allegiances, whether they had resonance in reality or not. This polarity remained a feature of the post WWII era. The Cold War thaw, marked on 9 November 1991 by the fall of the Berlin Wall, paved the way for consolidation of the neoliberal phase, in which "there is no alternative' (TINA). North-South development policy was increasingly based on a triumphalist 'Washington Consensus,' imposed by the IMF and World Bank . In part because the Third World Debt Crisis continued in Africa through the 1980s-90s, the IMF and Bank exercised unprecedented power over economic policy-making.

While the intervening decades have seen a variety of different approaches to development policy, especially emanating from East Asia, these centered mostly on getting the liberal capitalist development model "right", through the correct mix of public policy instruments and market-oriented incentives that will lead to economic growth. China was an important exception, given its strong state-institutional role in achieving rapid growth as the main site of outsourced production, as discussed in the first Working Paper. However, as discussed there, China's own internal contradictions included overproduction and greenhouse gas emissions. Beijing's controversial investment, infrastructure and financing strategies in Africa – so well known in South Africa as a result of corruption scandals involving Transnet and Eskom – have left countries with a reliance on exports to (and loans from) China very vulnerable. Moreover, multilateral institutions – especially the IMF, World Bank and WTO – continue to play the defining role in determining the rules of development, and the BRICS' role in these are characterised by assimilation not opposition (Mohanty 2018; Ayers 2018; Bond 2018a; 2018b).

Yet many academics, analysts, activists, Trade Unions (COSATU in South Africa) and governments in Africa are convinced that BRICS might represent an alternative. In India, Brazil and South Africa, the recent period witnessed upturns in social struggles, and this resulted in greater attention to the democratisation of development. This concept and the policy framings that have arisen from its absorption into developmental public policy, are ostensibly orientated towards greater procedural and redistributive justice (Tapscott 2018; Mohanty 2018; Esteves and Gomes 2018). The recent era also ushered in a new policy rhetoric of 'good governance' linked to the Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD/DAC) (Thompson and Tapscott 2010).

Additional hopes were raised that BRICS countries might offer 'New Developmentalism' strategies, especially in relation to financial markets. The 2014 Fortaleza founding of the BRICS New Development Bank (NDB) suggested a way to break the grip on multilateral financial governance by the neoliberal Bretton Woods Institutions, whose conditionality-riddled credit control grew after the 2008 financial crisis. The Western-backed banks came to rule not just impoverished but also emerging economies (e.g., Argentina recently, until the October 2019 Peronist electoral victory) – just as in the 1980s – and even a few wealthier countries (Portugal, Ireland, Greece and Spain) that fell into crisis.

Brazil's New Developmentalism, in contrast, consisted of rising levels of social inclusion and lower inequality, coinciding with successful export orientation. This philosophy was identified by former Brazilian finance minister Luiz Carlos Bresser-Pereira and advanced mainly from the Getulio Vargas Foundation. It entails more active management of international economic relations, including financial and monetary matters, and was drawn in part from Brazil's successful strategy during the late 1990s and 2000s, leading up to the 2011 peak of the commodity super-cycle. The New Developmentalism's promotion of manufactured exports is closely associated with four macro-economic, monetary and fiscal policy factors:

- falling exchange rates, given the bias is to undervalue the local currency and thus keep relative wage rates low;
- a shrinking state deficit on current (not capital) spending so as to avoid crowding out financing for private sector investment;
- a commitment to establishing new infrastructure; and
- a relatively low real interest rate.

In the second Lula administration, as Bresser-Pereira (2011) explained, "God was Brazilian," because thanks to the commodity super-cycle and his New-Developmentalist Programa de Aceleração do Crescimento, Lula "did not bring inflation nor adversely affect growth." The PT "did not fear to displease the rich," but nevertheless "was fiscally responsible" and "reacted well to the 2008 global financial crisis," in part by "lowering the real interest rate by nearly half" and imposing "controls over capital inflow." Lula, said Bresser-Pereira, "remembered that there is such a thing as the entrepreneur and the national enterprise, or, in other words, that there is a nation, whose strength and ability to compete with the other nations will depend on the clarity and cohesiveness of the political coalition between entrepreneurs, public bureaucracy and workers" (Bresser-Pereira 2011).

In South Africa and a few other emerging-market countries, these ideals have motivated debates over needed policy shifts, especially where the early 2000s boom provided sufficient macro-economic space to attempt aspects of New Developmentalism. In Johannesburg phraseology, during the height of Worker Party power, the desire for a 'Lula Moment' was expressed by leading centre-left policy academics and trade unionists from South Africa and Brazil alike (Netshitenzhe 2013, Braga 2014, Coleman 2014, Schutte 2014), led by the Communist Party's Chris Hani Institute (Webster and Hurt 2014). Of South Africans, however, it was only Neil Coleman (2014) from the main trade union federation who took the trouble to sketch out concrete comparisons.

To be sure, Lula Moment advocacy also attracted criticism, especially insofar as it was a strategy encumbered by unsustainable 'corporatist' philosophical underpinnings (Morais and Saad-Filho 2013). Comparing with South Africa's potential, Ben Fogel (2015) complained, Lula "failed to build a new political culture through constitutional and political reforms or by tackling an institutionally hostile media" and instead, made "alliances with corrupt and reactionary regional power brokers, embracing Brazil's traditional patronage political culture to gain institutional power at the expense of trade union and social movement allies." The South African debate coincided with the expulsion of the largest trade union – the 350,000-member National Union of Metalworkers of South Africa (Numsa) – from the country's main union federation because it was too left-wing. So the contrast was with a potential 'Numsa moment' that would have much more radically changed ownership of the economy's commanding heights.

However, regardless of whether South Africa should have pursued this approach, especially in macro-economic terms, by the mid-2010s there was little left to hope for, in either country. South Africa suffered a kleptocracy from 2009-18 under Jacob Zuma's leadership, combining talk-left populist-developmentalist rhetoric with walk-right neoliberalism and extreme corruption. In Brazil, the 2013 turn to neoliberalism by Lula's successor, Rousseff, meant the domestic bourgeoisie's support for the PT evaporated after widespread 2013-16 protests. These were originally catalysed by leftists dissatisfied by public transport price rises, but were soon taken over by wealthy right-wing elements which by 2016 resulted in a parliamentary coup against Rousseff. So while in the 1998-2004 period, mostly under Fernando Henrique Cardoso's centrist rule, Brazil drove its trade/GDP ratio from 15 up to 30 percent, this measure of integration subsequently fell to 24 percent by 2017.

Indeed, as discussed in Working Paper #1, the rest of the BRICS trade/GDP ratios also dropped markedly after peaking during the 2000-08 period, even further than the world's drop, from 61 percent in 2008 to 56 percent by 2018. Matters are now deteriorating further what with Donald Trump's U.S. protectionism, for the World Trade Organisation (2019) recorded dramatic declines in the 2018 WTO Index of trade, including a fall in that index of 6.3 percent (year-on-year from December 2017), as well as -7.9 percent on export orders, and double digit crashes in demand for automobiles (-10.3 percent) and electronics (-12.9 percent).

The era of Workers Party rule, resulting in Brazil's relatively more inclusive growth and (briefly) rising export-led growth route, followed Bresser-Pereira's framing. But this was not the only Latin American country offering lessons for development. In addition, there were successful – and far more radical – approaches to global-national-local interfaces especially in relation to finance. These included default on Odious Debts (e.g. by Ecuador in 2009) and tighter exchange controls to halt illicit financial flows (e.g. Venezuela in 2003), as well as (stillborn) proposals for a Bank of the South by Hugo Chavez that would have injected a strong developmental and environmental agenda into South-South cooperation. All these radical strategies emerged with one overarching concern: acute consciousness of how foreign indebtedness would derail developmental ambitions, as Latin Americans and all other Third World countries recalled from the 1980s-90s era.

South Africa's foreign debt as a share of GDP declined from the peak moment (reaching 41 percent) in 1985 when a default was declared on $13 billion in short-term debt, signalling the limits of the apartheid economy and compelling big business to begin transition negotiations with the African National Congress. The foreign debt/GDP ratio fell to as low as ?? percent in 2003, before rising again to the 50 percent level by 2017, at $180 billion. At its low point, South Africans were more actively engaged in organic debates about how states and economies interrelated, during the early-2000s 'developmental state' debate in South Africa. However, these debates did not stress crucial New Developmentalism features, so compared to Brazil, there was far less economic sovereignty. One reason was South Africa's decisive deindustrialisation during the 1990s, as East Asian imports outcompeted local clothing, textiles, appliances, electronics and other local manufactured goods once South Africa liberalised trade. Thus in the early 2000s, the developmental debate largely revolved around how to best link up the so-called 'two economies' (the advanced capitalist sector and informal sector) and how to advance minerals beneficiation (Mbeki 2004, Masondo 2007).

The country's $2.5 trillion natural resource base was seen as the basis for downstream investment, at least prior to the commodity super-cycle fizzling out in 2011. But the subsequent crash in world commodity prices (including metals), and in South Africa, electricity black-outs and soaring electricity prices starting in 2008, together hampered further investment in smelting. As institutional economists have pointed out, South Africa's structural bias remains located within the 'Minerals Energy Complex,' which combines large multinational-corporate mining houses, the state electricity firm Eskom, and associated downstream industries including petrochemicals, metals processing and other sectors that comprise about 20 percent of GDP (Fine and Rustomjee 1996, Padayachee 2010).

Change could have occurred if visionaries had taken over SOEs and reoriented the national character of capital accumulation towards more redistributive, less carbon-intensive and minerals-centric strategies. The bias within the state transport firm, Transnet, was always to emphasise export of raw ores – especially coal – through expanded port capacity (while closing down or neglecting maintenance for both long-distance and intra-urban passenger services). The fossil intensity of energy-generation and transport biases has become even worse within Eskom and Transnet. The inability of Eskom to reduce its reliance on coal-fired power plants and replace generation capacity with renewable sources, and the intensity of Transnet's reliance upon coal exports, are together reflected in the two largest mega-project investments in the 2012-30 National Development Plan (NDP).

First, the state – led by Transnet and major mining houses – made a $60 billion commitment to the export of 18 billion tons of coal (mostly to China and India) along new rail lines, using imported locomotives that can carry 3 kilometre-long ore-carrying trains. Eskom relies on coal from the same areas (Limpopo and Mpumalanga provinces) for 90 percent of its generation capacity, so the expansion of high-volume coal transport benefits its two massive new coal-fired plants (Medupi and Kusile). The second largest mega-project is a $20 billion expansion of the port-petrochemical complex in Durban, again led by Transnet. These two are the first two priority projects within the Presidential Infrastructure Coordinating Commission's Strategic Integrated Projects (PICC SIPs), developed as part of the National Infrastructure Plan (Bond 2014a).

## RISING HOPE FOR BRICS NEW DEVELOPMENT BANKING?

Given the failure of BRICS countries to sustain a new approach to development policy, it is no surprise that the BRICS NDB also reflects the prevailing economic biases. One leading Asian advocate of the developmental state, Jomo KS (2019), was wistful when asked about the NDB: "I wish the new multilateral development banks would be bolder, but thus far, they have largely chosen to work within the dominant framework shaped by the Washington Consensus, probably to secure market confidence." This is evident in the first NDB loans to South Africa. As noted below, the 2016 and 2018 credits of $180 million to Eskom and $200 million to Transnet quickly fell into controversy, and in both cases, projects went into immediate hibernation in part due to the borrowers' systemic corruption, and in part to the failure of both to properly make their projects sustainable.

Hopes had been raised for many years, that this would not be the fate of the NDB, as recently as 2018. Marianne Buenaventura and Amanda Lucey (2018, 17-20) illustrate this optimism,

"The African Regional Center (ARC) of the NDB, launched in August 2017, heralds cautious optimism for the African continent. From the NDB's initial proclamations, it appears that there is a real opportunity for this new source of financing to provide resources for sustainable infrastructure that will first benefit South Africa, and then the continent at large, in a people-centred way… the NDB offers the African continent promise of a new way of working that that is transformative, inclusive and participatory."

Buenaventura's official position in Oxfam, promoting the Civil BRICS initiative, makes this kind of argument comprehensible, since the agency has always sought a 'globophile' not 'globophobe' standpoint, and since the early 2010s pinned its hopes in BRICS as a vehicle.

But Oxfam was not alone. According to financial journalist Soya Magida (2018, 16): "…(t)he NDB… could offer the world not only a new way of doing business, but could also sow the seed of an alternative framing of the idea of development."

The reality, however, was already obvious within a few years of the NDB's 2014 launch in Brazil. A few examples are illustrative. First, Bresser-Pereira (2018, 3) remarked on one of the most crucial features of new, alternative financing strategies, which is to match assets to liabilities when it comes to the currency in which lending occurs:

"The NDB, the bank governed by BRICS countries, spelt out the proposal to follow this line of action. Some multilateral banks, particularly the Asian Development Bank, the International Finance Corporation and even the World Bank are already lending in local currency. Why? Would it be the new concern with currency mis-matches and the development of local capital mar-kets?…

First, the Multilateral Banks are turning to do-mestic currencies because their customers are most of the time private companies that resist to take loans in hard currency to avoid foreign exchange risks.

Second, because after the Asian 1997 finan-cial crisis, many countries, particularly the Asian countries, realised the financial crisis risk involved in getting indebted into foreign money and began to accumu-late large international reserves. Third, because, after the disastrous attempt to grow with foreign indebted-ness (foreign savings) that the Washington Consensus proposed from the early 1990s (just after the major 1980s' foreign debt crisis was overcome), the gov-ernments of the developing countries went back to the policy of keeping the current account balanced or with a surplus, as China has been doing for long" (Bresser-Pereira 2018, 3).

Table 5: The South African current account in deficit due to 'income payments,' 2013-21

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Est. | | | Proj. | |
| | | | | | (In billions of US dollars) | | | | |
| Balance on current account | -21.2 | -17.8 | -14.6 | -8.2 | -8.6 | -11.0 | -12.7 | -13.4 | -14.0 |
| Balance on goods and services | -8.4 | -5.3 | -4.1 | 1.8 | 4.8 | 1.9 | -0.1 | -0.7 | -0.7 |
| Exports of goods and services | 113.6 | 110.4 | 95.8 | 90.8 | 104.0 | 112.5 | 116.3 | 120.7 | 126.4 |
| Imports of goods and services | -122.0 | -115.7 | -99.9 | -89.0 | -99.2 | -110.6 | -116.4 | -121.4 | -127.0 |
| Balance on income | -9.6 | -9.4 | -7.9 | -8.2 | -10.5 | -10.1 | -10.2 | -10.4 | -11.0 |
| Income receipts | 6.7 | 7.6 | 7.7 | 6.0 | 6.1 | 14.3 | 16.7 | 18.4 | 16.3 |
| Income payments | -16.3 | -16.9 | -15.6 | -14.2 | -16.6 | -24.5 | -27.0 | -28.8 | -27.2 |
| Balance on transfers | -3.2 | -3.2 | -2.6 | -1.9 | -2.9 | -2.7 | -2.3 | -2.3 | -2.4 |

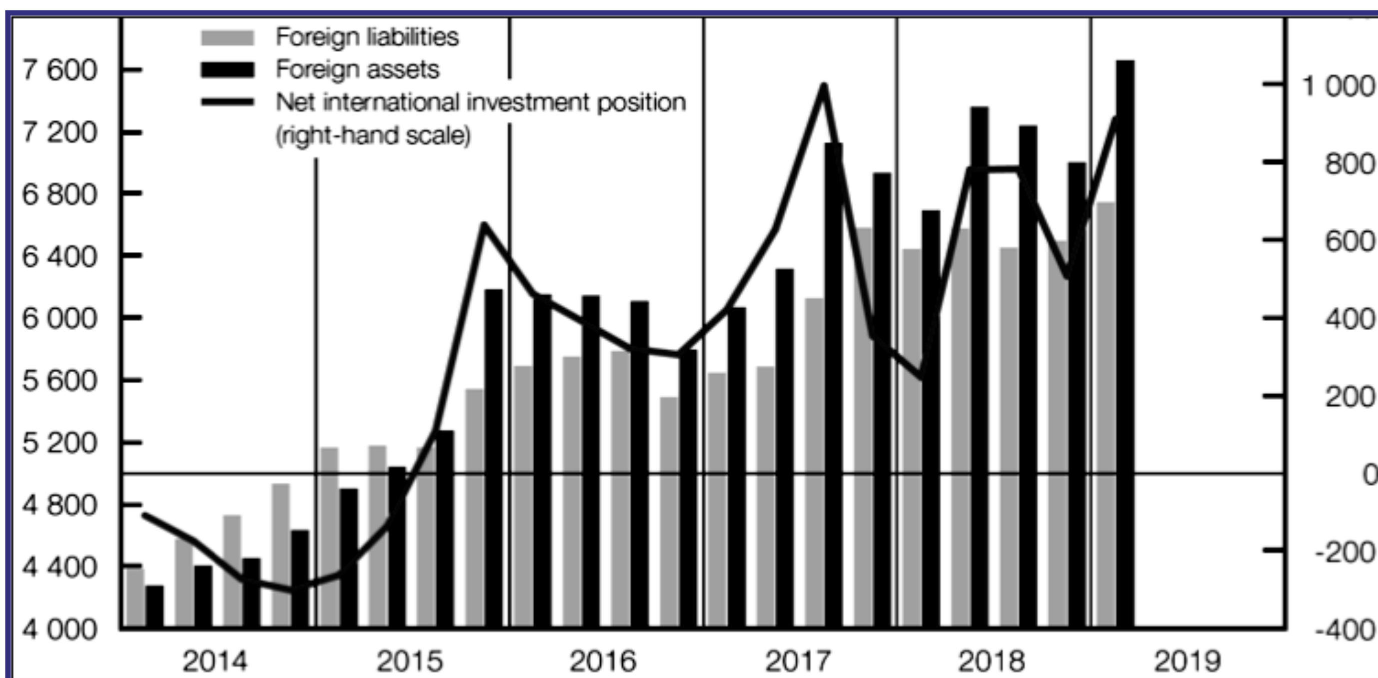
Source: South African Reserve Bank Quarterly Bulletin, December 2018.

South Africa's debt repayments are becoming increasingly expensive. A major fear expressed periodically is the potential inability to service foreign loans, especially those borrowed by the main SOEs. As reported in 2018 by Business Day's Carol Paton (2018), "If the World Bank issues a default letter… it will trigger a 14-day recall on its $3.75 billion loan, which could trigger a recall on Eskom's $26 billion debt mountain." Eskom has by far the largest component worth of state-backed loans, representing a dangerously high contingent liability whose costs are carried by the general citizenry. Eskom is also repaying the World Bank's largest-ever loan, for the Medupi power plant (the Bank's last such coal-related lending, due to a belated climate-change policy). Medupi's $5 billion worth of boilers were supplied by Hitachi, which in 2015 was fined $20 million by the US government for violating the Foreign Corrupt Practices Act: bribing the ANC's investment arm through a 25 percent ownership in a local affiliate. Medupi cost triple its original estimates, at $15 billion, and was delayed nine years due to numerous design and implementation flaws (including 7,000 welding mistakes on the Hitachi boilers). The high costs – exacerbated by a crashing currency – were passed to poor consumers, whose electricity bills rose far faster than inflation from 2008-17. In mid-2018, Eskom received another $2.5 billion in loans from the China Development Bank to build the $15 billion Kusile power plant, also with Hitachi/ANC boilers. That bank's prior major loan to South Africa was to Transnet ($5 billion), for corruption-riddled locomotive and Durban crane procurement from China South Rail and Shanghai Zenhua Heavy Industries (via the Gupta family empire) (D'Sa and Bond 2018). Such mega-projects mainly benefit well-connected elites.

Although the current account deficit was 7 percent of GDP in 2009, it recovered thanks to the commodity crash of 2015, which temporarily lessened the pressure on profit repatriation. Indeed the currency dropped to as low as R17.9/$ in January 2016, which compelled cuts in imports and assisted South Africa's export recovery. But the current account deficit has still been negative, even in years of trade surplus, in the range of 2-5 percent of GDP from 2016-18. In those years, trading surpluses of $8.5 billion were registered, yet South Africa suffered $28.8 billion in net profit and transfer outflow. The central reason for South Africa's vulnerability to high levels of net income payment outflows and currency speculation against the rand is Pretoria's regular relaxation of exchange controls. As one example, in 2018 Treasury granted permission for an additional $38 billion worth of pension and insurance funds to move abroad. As another, whereas in 2015 the maximum annual externalisation of funds by wealthy South Africans was $300,000, it was raised that year to $750,000. But such loosening weakens the Reserve Bank's ability to defend against currency crashes and financial outflows, given that Pretoria's $50 billion in currency reserves have not increased over the past decade. The IMF (2018, 35) warned, "Foreign exchange reserves are assessed to be below adequacy… 70 percent of the assessing reserve adequacy metric adjusted for capital flow measures."

Profit inflows should actually be much higher than outflows, because the net foreign investment position of South African capital has been positive since 2015 (Figure 3), largely because of one major investment made by the largest firm on the Johannesburg Stock Exchange – Naspers – in Chinese firm tech company Tencent. That stake, of nearly a third ownership in what soon became the highest-capitalised firm in Asia, grew from $35 million to $150 billion in value over the period 2005-18. It increased the country's net international investment by 40 percent of GDP from 2010-15 (although income receipts suggest Tencent's dividends are not flowing back into Naspers at anywhere near the rate profits are flowing out of South Africa). In any case, the offshore listing of Tencent to Amsterdam in September 2019 – as Naspers' new Prosus subsidiary – further amplifies the long-term dilemma of inadequate inflows of foreign currency. From 2020 onwards, it will greatly reduce income receipts.

Figure 3: South Africa's international investment position, 2014-19 (billions of SA Rands)




Source: South African Reserve Bank Quarterly Bulletin, September 2019.

Given the extreme volatility of the Rand caused in part by this income vulnerability, daily Over-the-Counter Foreign Exchange market activity is far greater in South Africa than elsewhere, rising to 17 percent of GDP by 2017 (IMF 2018). The wild swings in the currency's value are evident, and make relations with the world economy that much more volatile. The NDB's failure to grapple with these relations is amplified by the BRICS Contingent Reserve Arrangement's (CRA's) role when South Africa needs a bailout once the foreign debt crisis becomes unmanageable. However, at that point, the CRA mechanism only allows Pretoria to borrow $3 billion (30 percent of its quota) because in 2014, the Chinese delegates to the CRA's founding negotiations insisted that the IMF be activated so as to protect the CRA's short-term emergency lending. Once 30 percent is borrowed, the CRA requires an IMF structural adjustment programme, prior to the borrowing country's ability to access the next 70 percent of the quota. This leveraging gives the IMF much more muscle than in a typical structural adjustment negotiation, for a much greater amount is at stake.

The IMF has not reformed its Washington Consensus principles nor its lack of poor-country voice, even though a much greater IMF stake was taken by China-Brazil-India-Russia in 2015. As an indicator of the BRICS' lack of reform orientation, the bloc refused to contest the IMF Managing Director's position – traditionally reserved for a European national – when it was open in May 2011 (when the incumbent Dominique Strauss-Kahn was forced to resign due to sexual predation and was replaced by Christine Lagarde), February 2016 (Lagarde's reappointment), December 2016 (Lagarde's conviction for "negligence with public money" dating to her late 2000s' role as French finance minister) and September 2019 (when Lagarde was replaced by another European, Kristalina Georgieva, who had been acting World Bank president). Although in 2012 the South Africans and Brazilians had proposed (different) candidates for World Bank President (traditionally a U.S. citizen), the BRICS did not oppose the incumbent's reappointment in 2015 (though Jim Yong Kim was already controversial and had made no substantive changes in Bank ideology aside from climate consciousness), and nor did they oppose Donald Trump's February 2019 replacement choice (David Malpass, who had been a Bear Stearns chief economist notoriously unaware of the impending 2008 financial meltdown of his own firm followed by the world economy). In short, the role of the BRICS' delegates to the Bretton Woods Institutions was not a search for an alternative, but instead, the shoring up of international financial power relations with money and legitimising votes.

## BRICS MOVING THROUGH (NEOLIBERAL) DEMOCRACY, 'BEYOND AID'?

The narrative that NDB and CRA institutional innovations will generate a global financial alternative to orthodoxy remains common among some BRICS leaders, as they seek greater influence in the Global South. Other features are their support for sovereignty – which even Brazilian president Jair Bolsonaro claimed against the G7 in mid-2019 when Amazon forest fires were a subject of world concern – and free trade, in the case of Xi Jinping's periodic appeals during his trade war with Trump. Another aspect is no-strings-attached international development assistance.

This new image of development, popularised by media and academics who remain close to BRICS governments, complicates discussions of development given how far it is from reality. As Claude Alvares (1993, 230) put it, 'knowledge is power, but power is also knowledge'. The new SSC blurs the analytical distinction between the North in the South and vice versa. BRICS as the 'global South' but also 'emerging powers' have some of the highest inequality levels in the world, which are yet to be addressed in terms of public policy or projects. In three cases (Brazil, India and South Africa), the majority of the citizenry, particularly in peri-urban and rural areas, live below a $3.50/day poverty line (Bond 2018a; Magida 2018). At the same time, North-South trade, investment and finance retain colonial and post-colonial patterns of economic exploitation (Arrighi 2004; Mohanty 2018; Ayers 2018; Bond 2018a).

Semantically, then, the redefinition of the North-South into 'global North and South', allows states like Russia and China to conceal geostrategic expansionist state strategies and rivalries, within an artificially created South-South frame called 'global South.' Such arbitrary dualism not only evaporates class, race and gender analysis within these countries, but also overstates the BRICS' geostrategic strength as a bloc, and in turn allows individual states to justify exploitative foreign policy measures and repressive domestic policies.

In spite of the oft-repeated sentiment that the BRICS offer an alternative, the dominant neoliberal economic model prevails (Ayers 2018). The problem BRICS elites face, however, is that their economies are increasingly vulnerable to cyclical capitalist crises; BRICS scholars and civil society allies generally refuse to acknowledge this danger, because they have avoided the kind of critical political economic analysis that locates their semi-peripheral assimilation (Wallerstein 1984; Harvey 2003; Arrighi 2004; Bond 2015; Lesufi and Thompson 2019). Moreover, many have accepted the narrow, neo-liberal conception of democratisation (especially at global scale) as the sine qua non for good governance and development (Mohanty 2018, Ayers 2018). While bifurcated into two distinct trajectories, both presuppose a linear progression towards being globally recognised as 'developed.' Ayers (2018, 3) points out,

*"… the highly specific notion of neoliberal democracy enjoined by the comparativists is located within a narrow conceptual framework based on a Weberian-Schumpeterian model of democracy, promulgated through Robert Dahl's conception of polyarchy… significantly, comparativists presuppose a moral position to the notion of democracy… such a conception is heavily biased towards an understanding of democracy that is electorally based and highly elitist as well as "to some degree capitalist."*

The morality of liberal politics is concealed by technocratic policy discourse which strips development and democracy to policy processes (Crush 1995; Ferguson 1990; Mohanty 2018; Ayers 2018). The liberal approach, even in its more critical variants, remains focused on the question of tweaking development by refining expert knowledge (Mohanty 2018). Democracy, linked to development, has become popularised as a process of ensuring adequate engagement of key stakeholders, including communities. Critically, aid is therefore reconceptualised, not as part of the Western modernisation narrative in which good governance is awarded for liberalised politics and economics.

In contrast, a 'Beyond Aid' discourse has emerged in these circuits, and simply removes democracy and rights as part of the 'no strings' aspect of aid. This new mode of development assistance focuses on technocratic flaws that prevent the export-led growth model of development from working most efficiently. Its focus is on the economic and political 'science' of developmental choices relating to finance, trade and infrastructural investment in order to ensure better application of development policies (Esteves and Gomes 2018). But in turn, the liberal bifurcation between the political and economic leads to a conceptualisation of foreign policy on the one hand and economic development on the other, as distinct policy terrains, when they are profoundly inter-related. This type of analysis is well illustrated by Chris Alden and Maxi Schoeman (2015, 241-242) who state that South Africa's structural deficiencies, which include its inability to provide sufficient leadership on issues of security for example, hamper its aspirations as regional and continental hegemon:

*"Despite this weak record of effective leadership, Pretoria is continually 'rewarded' with leadership positions in international groupings, such as BRICS, G20 and nearly consecutive terms on the UN Security Council. Far from being a reluctant hegemon, South African history is marked by a drive to fulfil an ambition predicated on its 'manifest destiny' as Africa's leader."*

Here, hegemony is defined in terms of the components of state structural power, but with the twist of adding the relational, i.e., following Joseph Nye, 'soft power' (Strange 1988; Nye 2006). Alden and Schoeman (2015) emphasise that in South Africa's case, both forms of power are contingent on the state maintaining and enhancing its symbolic value to the North in terms of its geostrategic value and ability to act, and as an economic "deputy sheriff" for the North (Bond 2015, 23). In addition, while South Africa does provide some aid to the sub-Saharan region, it is by far the smallest of the BRICS in terms of both growth, trade and investment indicators (Tapscott 2018).

For Pretoria politicians and foreign policy managers, holding onto 'gateway' status to Africa in public development discourse is of great symbolic significance (Alden and Schoeman 2015).

The case studies to follow illustrate that supposedly 'alternative' policy and institutional framework, in reality, reveals the lack of any genuine differences with status quo development. In hindsight, even liberal development advocates recognise distortions that were compounded by excessive neo-liberal conditionality, especially the austerity policies that accompanied structural adjustment loans and that generated decades of 'IMF Riots' by aggrieved citizenries (those of Chile, Ecuador, Haiti, Algeria, Egypt, Lebanon and Indonesia in October 2019 were only the latest sites).

The liberal theory was based on mixing the right combination of technocratic, expert knowledge, government capacity and accountability, with infrastructural investment, development finance, industrialisation, trade diversification and technological innovation. Only in tokenistic ways were social and redistributive justice permitted to enter the developmental discourse, and usually through participatory semantic framings that did not carry much real weight within top-down liberal politics (Mohanty 2018).

To be sure, the liberal discourse has had to emphasise inclusion of the marginalised, stressing that exclusion from capital accumulation will entrench economic inequalities and create political instability. According to a more critical version of the liberal approach, good governance is reduced to a myth if these distortions are not continually addressed through reflexive, sophisticated policy innovations, such as South Africa's corporatist NEDLAC – although as discussed earlier, its Labour Constituency has excluded the more militant SA Federation of Trade Unions notwithstanding its 800,000 members (second largest), and the Community Constituency excludes radical grassroots organisations.

From within this perspective, the notion of SSC is criticised because according to those involved in the policy debates,

*"…the Global North wants the South to monetise co-operation to enable universal comparisons … the North calls for increased transparency, improved indicators and reliable statistics, but the South asks to respect its diversity of approaches. There is no unified position here either. Some developing countries, particularly in Asia, question the applicability of monitoring and evaluation to SSC. They also point out that the South needs to create its own monitoring vocabulary. Proponents of this view say that SSC is narrative and political, rather than institutional and practical. Therefore it should be measured through case studies, not indicators…" (Turianskyi 2017).*

Beyond Aid policy advocates interpret their own aid innovations as becoming international best practice, drawing on non-western models. They stress methods of South-South network building (Jing and Gu, 2018). Giovana Gomes and Paulo Esteves (2018, 129) refer to these 'new' SSC practices as "the 'BRICS effect' – an effect that ultimately destabilises established positions and interaction patterns between agents." According to this perspective, the BRICS disrupt the unchanging, hierarchical donor-to-recipient relation. The Rostowian 'modernisation' process based on stages of development ensured that the North could determine the right policy paths and trajectories for the less developed countries. According to Gomes and Esteves (2018), the OECD/DAC 'donorship credo' is based upon a patronising notion of responsibility in which 'advanced' or 'industrialised' economies determine the course for both international development and the societal welfare of developing states, through official development assistance (ODA). Gomes and Esteves refer to Bourdieu's conceptualisation of this type of practical belief/knowledge as 'doxa':

"Doxa ultimately enables agency, generates classificatory schemas, structures positions, and guides practices, which become naturalised over time. In this sense in terms of development and good governance, ODA has become the main doxic practice of the North. While contingent and arbitrary, ODA transformed development into a set of fixed choices, 'necessary requirements' that conditioned the differences between North and South and the parameters of what is considered to this day as developed and underdeveloped in liberal economic terms."

Jing Gu and Naohiro Kitano (2018, 5) argue in a similar vein:

*"This has led governments, practitioners, and academics alike to ask whether it is indeed time to move development policy and practice 'beyond aid.' As noted above, this term is best understood in terms of the evolution and application of a broader notion of development assistance to embrace wider economic development and sustainable growth, including multilateralised financing, premised on principles equity, inclusivity, and partnership (Reisen 2015). At the centre of this evolution, China and other emerging powers have emerged as critical players… (f)rom discourse to cooperation modalities to new institutions, the emerging powers have served as an influential drivers of shifting development paradigms (Qobo and Soko 2015). Furthermore, as a result of its overseas activity, development finance has diversified beyond official development assistance, entering recipient countries through other channels such as investment and trade."*

Despite these arguments, the reality is that in the BRICS states, high levels of inequality and worsening economic marginalisation of poor communities are endemic. The BRICS not only fail to regulate the more exploitative aspects of global capital accumulation, but tend enforce these patterns (Zhang 2017; Bond 2018a). This is evident in the gaps between the growth and development aspects of most of the BRICS' bilateral agreements covering trade and investment.

Moreover, the BRICS states (China and India in particular) advance the agenda of globalised economic liberalism so as to legitimate market access. Claudio Katz (2015, 87) shows how China "is investing in the (African) continent, purchasing enormous quantities of primary materials and offering infrastructure credits without conditions attached by the World Bank… China has the advantage in that it does not carry the baggage of being a former colonial power." Yet in reality, Chinese bilateral investment in Africa (including South Africa) demonstrate similar patterns of extractivism to those of the former colonisers.

BRICS rhetoric also emphasises the development of local skills so that a stronger employment base is produced in otherwise less-developed areas. In support of these claims, China's success in developing the export zones such the Shenzhen SEZ in Guangdong Province in the 1970s is an exemplar. The city-region is a leading source of GDP and has witnessed the creation of several millions jobs during the past three decades (Zang 2011).

The BRICS positions on SSC and aid are diverse, but ultimately they represent state diplomacy and are largely devoid of any theoretical or policy framing. The concrete strategies in finance, aid and investment are little different than those prevailing since the Industrial Revolution in Britain. As articulated by U.S. President Harry S. Truman, "greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge" (in Mohanty 2018, 7). Arturo Escobar (1995) has shown how the application of scientific and technical knowledge requires experts and institutions to plan for the progress of society. Yet the lack of genuine economic, political and social content within the "Beyond Aid" approach is evident from its applications in Africa, especially in the case of the BRICS 'leader', South Africa.

One of the main development policy strategies that has been promoted as part of BRICS Beyond-Aid investments, especially by China, is the establishment of Special Economic Zones. These aim to industrialise poor countries, and address the problem of reliance upon undiversified commodity exports. The 2018 BRICS Summit Declaration (2018, 10) refers to export zones as priority development areas in which to "establish BRICS networks of Science Parks." FOCAC in 2018 echoed this approach to export-led growth through SEZs, recommending the strategy as a way of attracting FDI (FOCAC 2018).

The influence of Chinese development assistance on South African industrial policy has been evident for at least five years. Rob Davies, Minister of Trade and Industry and a leading member of the South African Communist Party, stated in 2015, "China is one of South Africa's strategic partners… we need also to derive value from our cooperation with China on SEZs, particularly as we embark on our industrialisation and beneficiation programmes." Hence the implications of these debates for South Africa are profound. In spite of the innovations of Beyond Aid, New Developmentalism and alternatives to Bretton Woods finance that are advertised, what is most clear is the persistence of orthodox economic framings.

To illustrate, the October 2019 Treasury policy document, "Economic transformation, inclusive growth, and competitiveness," continues to closely follow Washington Consensus logic. The document is, self-confessedly, "silent on a number of important aspects, including poverty and inequality. Not because these issues are not important, but because of intentionally narrow focus of the document." As a result, when discussing SEZs, the vision narrows considerably, to technicist, marginal interventions:

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*In addition to reviewing the 'red tape' implications of new legislation, it is clear that an assessment of the existing policy and regulatory constraints to investment, including a clear timeframe for addressing these, is required to eliminate unnecessary regulatory hurdles. Consideration should be given to full or partial exemptions for SMMEs from certain kinds of regulations, including labour regulations, to mitigate the start-up costs for SMMEs, but also to reduce the considerable regulatory requirements. As discussed later, special economic zones can be used as potential places where these and other interventions can be tested before being implemented across the economy…*
*There is a need for more experimentation and piloting of industrial policy options (Hausmann and Rodrik 2003). This allows the agency or department in question to identify possible constraints or flaws in the programme design, and highlights procedural and system issues that need to be addressed while limiting policy uncertainty. A pilot programme also allows the concept of the project to be tested, along with its impact. It forces some cooperation with the private sector and others with an interest, as it requires some sharing of knowledge and resources. Special economic zones (SEZs) can be effective tools in this regard. SEZs allow the scope to experiment with policies on a small scale before rolling them out to the wider economy (if it makes sense to do so). In China, the Shanghai Free Trade Zone piloted reforms before they were implemented nationally.*
*In South Africa, broader questions need to be asked about the efficacy of how SEZs are currently being used as industrial policy instruments. It is unclear whether the incentives put in place to encourage firms to locate in SEZs, such as lower corporate income tax rates, are effective at crowding in the desired private investment (see Farole 2011). We need to develop a more nuanced understanding of the circumstances under which SEZs are most effective by understanding which SEZs are successful, what makes them effective, and whether they are appropriate tools for clustering industrial activity and addressing unequal spatial development. Answering these questions will enable a process to improve the design, functioning, and ultimately the impact of SEZs as a key industrial policy tool.*

The developmental functionality of SEZs as a driving force to ensure inclusivity, more robust economic global integration and reduction of inequality in the BRICS and FOCAC states is given some context in the South African case from pilot field work in Coega, Dube and Musina-Makhado, discussed below.

## SOUTH – SOUTH SEZ DEVELOPMENT CONTRADICTIONS: TWO DOMINANT THEMES IN COEGA, DUBE AND MUSINA-MAKHADO

This section explores the policy background and practical development of three SEZs. These in part reflect the BRICS and FOCAC initiatives, since China's obvious three-decade influence in making SEZs the main vehicle for its economy's insertion into the global capitalist market. In examining dti's development narrative, the 2018 SEZ Board's Annual Report is of great use. The report points to the optimism of government, the institutional faith in China's Ministry of Commerce, the reliance on the PRC for 'capacity building' on SEZs, along with all the facts and figures that show how poorly the SEZs in South Africa are performing if evaluated in aggregate terms. The following tables on state SEZ funding from the report are revealing especially when linked to two dominant themes in South-South Cooperation: sustainable development and export-led growth (Tables 6 and 7).

Table 6: Summary of output Key Performance Indicators for SEZs

| Name of SEZ | Year of designation | Total size (ha) | No. of operational investors | Value of operational investment (Rm) | Total direct employment created | Land allocation to date (Ha) | Revenue (Rm) | Exports (Rm) |
|---|---|---|---|---|---|---|---|---|
| Coega (Eastern Cape) | 2001 | 9003 (SEZ) + 256 (NMLP) | 42 | 6.2 billion | 8 210 | 388 | 275.3 | 363m |
| East London (Eastern Cape) | 2002 | 462 | 28 | 8 billion | 3 645 | 7.9 | 720.7 | 3.2bn |
| Richards Bay (KwaZulu-Natal) | 2002 | 383 | 2 | 320 million | 93 | 5.5 | 2.89 | - |
| Dube TradePort (KwaZulu-Natal) | 2016 | 302.9 | 16 | 1.3 billion | 432 | 54.5 | 117.5 | 470m |
| TOTAL | | 10 406 | **88** | **15.5 billion** | **12 380** | 455 | 1115 | 4.1bn |

Table 6: Summary of output Key Performance Indicators for SEZs

| SEZ | Feasibility studies | Bulk infrastructure | Top structure | Skills development | Total (R) |
|---|---|---|---|---|---|
| Coega | 1,800,000 | 409,548,932 | 1,039,765,696 | | 1,451,114,628 |
| East London | | 9,744,521 | 868,616,319 | | **878,360,840** |
| Richards Bay | 84,872,560 | 445,777,959 | | | **530,650,519** |
| Dube TradePort | | 200,498,093 | | | **200,498,093** |
| Saldanha Bay | | 741,857,900 | | 4,494,881 | **746,352,781** |
| OR Tambo | | 208,707,694 | 270,898,520 | | **479,606,214** |
| Maluti-a-Phofung | | 294,332,481 | 47,989,567 | | **342,322,048** |
| **TOTAL (R)** | **86,672,560** | **2,310,467,580** | **2,227,270,102** | **4,494,881** | **4,628,905,123** |

A predominant BRICS/FOCAC theme in the Global South development policy narrative is sustainable development, a policy theme that predominates in both the G20 and BRICS. Sustainable Development is used to refer both to the ability of the zones to sustain themselves economically (i.e. with less and less state economic support) and to the environmental and Just Transition dimensions of sustainability. Yet none of the South African zones, irrespective of longevity, comply with either understanding of sustainability. Coega has won awards as the most successful SEZ, but is yet to show significant creation of appropriate skills and permanent employment. Dube, while having an ecologically-sophisticated hydroponic Agri-Zone, will radically increase its carbon footprint through air-cargo export of products through the Aerotropolis. Dube SEZ has also lagged behind in skills creation in a zone which emphasises technological sophistication. On the 1st August 2019, while unrealistically promising that the Aerotropolis would create 75 000 jobs, MEC for Economic Development, Tourism and Environmental Affairs Nomusa Dube-Ncube emphasised that her administration had identified the "…need to market the province of KwaZulu-Natal, as the persistently high unemployment rate".

The proposed Musina-Makhado SEZ and related up and downstream industries rely on carbon intensive energy sources. As already flagged, the EMSEZ start-up industry is a coal-fired power plant – currently being planned outside the national energy grid – carrying with it all the labour and environmental contradictions that go along with mining, smelting and other carbon-intensive industries. President Ramaphosa, on the election campaign trail in April 2019 added that "… talks around constructing an oil refinery with the Chinese outside Polokwane have started". In May, the Limpopo Economic Development Agency (LEDA) signed memorandums of understanding and agreement with nine Chinese companies, which claim they will invest more than $10 billion (nearly R150 billion) in the Musina-Makhado special economic zone.

The second overlapping thematic contradiction is the emphasis on FDI and export-led growth as measures of economic success. In our first paper, we considered global political economy, emphasising capital's over-accumulation, financialisation and resulting systemic economic crises, both locally and globally. Vulnerability persists in spite of the last decade's rise of South-South Collaboration, for example the new geo-strategic configuration of BRICS. indeed at the 2018 BRICS Summit in Johannesburg, the Declaration (2018, 10) explicitly enforces the importance of SEZs as priority development areas along with, "… establish(ing) BRICS networks of Science Parks." FOCAC echoes the same focus on export-led growth through SEZs as a way of attracting FDI (FOCAC 2018).

The SEZs' expansion is also very clearly linked to the Belt and Road Initiative. According to the Global Africa network report, "The location of the Musina-Makhado SEZ, with links to Zimbabwe, Botswana and Mozambique, promotes the Trans-Limpopo Spatial Development Initiative. Logistics will be one of the key focus areas of the SEZ".

But there are functional differences in the ways the three case study zones operate, even though they are all supported and monitored by the South African Treasury and dti structures. The zones are governed by the 2014 SEZ legislation that codifies investor incentives and State-Owned Enterprise (SOE) operations.

The developmental value of SEZs has been emphasised through FOCAC since 2000. An International Poverty Reduction Center in China (IPRCC) and United Nations Development Programme (UNDP) report (2015:12) states, "…(c)ooperation between African countries and China on Special Economic Zones in Africa began at the 1st Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) in 2000, China pledged to share its experience in investment promotion through, and management of, SEZs with African countries (FOCAC 2000). In 2006, at the 3rd Ministerial Conference of FOCAC, China's former President Hu Jintao announced the establishment of three to five SEZs in African countries (FOCAC 2006). Starting in 2007 SEZs have subsequently been successfully established in Zambia, Egypt, Nigeria, Ethiopia and Mauritius".

The zones have been identified as a way of China assisting in the African development through infrastructural investment. The Belt and Road Initiative (BRI) spatially connects the flow of extraction from South to (Global) South instead of South to North. Yet, the SEZ model of trade liberalisation is still based on the western developmental model where industrialisation towards greater economic capacity is orientated towards corporate welfare (be these SOES or private).

The IPRCC and UNDP report acknowledges that SEZs have been critical to Chinese state-led capitalist development, but concludes that the concept has not always worked well elsewhere: "while SEZ performance varies across and within countries, previous research has concluded that SEZs in Africa have, by and large, not been successful to date. A number of factors appear to have contributed to the underperformance of African SEZs, with shortcomings in infrastructure inside and outside SEZs and weak planning and management perceived as the main challenges". (IPRCC/UNDP Report on SEZs, 2015:12).

In this context where monitoring and oversight have also been lacking, the primary sources and fieldwork on Coega, Dube and Musina Makhado SEZs in South Africa illustrate the need for activist organisations' coalition-building, so as to ensure community knowledge sharing and accountability.

## COEGA SEZ

The nickname "Ghost on the Coast" given to Coega long ago, is still a fit description of the mostly empty land around Ngqura Port, just north of Nelson Mandela Bay. The land is empty in part because several hundred families were displaced to build Coega's infrastructure, and those in the area will bear the brunt of the environmental toll exacted by the project. The opportunity costs of Coega as calculated in 2002 as displacements occurred, include as many as 10 000 jobs lost in economic sectors which either had to close or could not expand, including the salt works, mariculture, fisheries, agriculture and eco-tourism, as shown in Table 8.

Table 8. Direct and opportunity costs of the Coega SEZ and harbour

| Sector | Income losses(R million/year in 2002) | Employment losses (number of jobs) |
|---|---|---|
| Salt production | 20 | 136 |
| Mariculture | 116 | 875 |
| Fisheries | Not estimated | Not estimated |
| Agriculture* | 510 | 7 500 |
| Eco-tourism | 60 | 975 |
| **Total** | **706** | **9 486+** |

Source: Calculations by Steven Hosking and Patrick Bond, from Bond (2002), which were not contested by dti or the Coega Development Corporation (CDC).
*Impacts on agricultural production are long term, and therefore of a different nature to the other job losses.

Yet for at least two decades, Coega has been regularly marketed as a major success. In 2006, President Thabo Mbeki highlighted the SEZ as a prime example of 'Milestones during the Age of Hope':

*[T]he leading aluminium company, Alcan, entered into an agreement about the supply of electricity that would make it possible for it to construct a huge aluminium smelter at the new Port of Ngqura/Coega. This was indeed another important piece of good news during 2006, given the sustained campaign that some in our country had conducted to present the new Port of Ngqura/Coega as the outstanding symbol of the failure and folly of our democratic government, led by our movement! (Mbeki 2006: 1)*

Indeed in late 2006, Alcan had signed a 25-year power-supply agreement with Eskom at an extremely generous price, estimated at less than the R0.14 cents per kilowatt-hour that bulk industrial consumers were typically paying at the time, for what was then the world's cheapest electricity by far. Climate consciousness was low, but nevertheless the Council for Scientific and Industrial Research had acknowledged that 'generation of power for the [Alcan] smelter will result in an increase of about 4 per cent in Eskom's atmospheric emissions' (Business Day 2002). However, following frequent mid-2000s supply shortages in the Johannesburg and Cape Town areas, a fierce debate erupted over provision of discounted electricity to industrial users like Alcan, BHP Billiton and Anglo American ('Special Pricing Agreements' at US$0.01/kWh), at the expense of the needs of the general public. And this was before the national 'load-shedding' measures began affecting South Africans in late 2007. Eventually those shortages deterred Alcan from going ahead with the deal.

Other tailor-made infrastructure planned at Coega included an elite housing estate and a 20-metre-deep port and container terminal. These plus roadworks required vast public investments – at least R10 billion – and enormous quantities of land, water and electricity. But rarely counted are the environmental costs of the Coega project, in water consumption, air pollution, electricity usage and marine impacts.

Reports of conflicts of interest for key decision makers have long clouded the project's governance. In the notorious late-1990s arms deal, German submarine maker Ferrostaal promised to 'offset' a state contract with new Coega investments (Crawford-Browne 2007). The Rhodes University Public Service Accountability Monitor (PSAM) noted then Defence Minister Joe Modise's

*irregular agreement with the German submarine consortium [on 13 June 1999] to purchase 3 submarines at a cost of R4.5 bn in return for Ferrostaal's promise to construct a steel mill worth R6bn at Coega.… [Shortly afterwards, upon his retirement] Modise bought shares in and was appointed the chairperson of a company which has been awarded contracts to conduct work on the Coega project. Again, these contracts have been paid for out of tax-payer's money (PSAM 2001).*

Although Modise passed away soon afterwards, several other Coega officials were named by the PSAM:

*Mafika Mkwanazi, the Transnet deputy managing director, was a direct beneficiary of the arms procurement deal. What is also of concern is the fact that Saki Macozoma, the Transnet managing director, has, since leaving the parastatal, emerged as a shareholder in a company founded by the chairperson of the CDC board, Moss Ngoasheng (PSAM 2001).*

Another CDC leader from the earlier period, Kevin Wakeford, was in 2018 implicated in the long-running Bosasa corruption scandal centred on bribery of state officials by Port Elizabeth's notorious Watson family. Gavin Watson himself was one of the most ambitious Coega boosters, and in 2007 announced a R9.2 billion prawn-farming facility that would create 11 000 jobs, in conjunction with a major Chinese SEZ investor:

*Sea Ark CEO Gavin Watson and China Direct CEO Sean Ding signed an agreement in Coega for the provision and management of the advanced mariculture technology to the Chinese company… After 15 years of local and US research, the technology deployed in China Direct's facility in the Zhanjiang economic development zone would be built and managed online from Coega by two other Bosasa companies, project management company BuildAll, and Sondolo Information Technologies (IT). Sea Ark said that South African and US scientists, working in Coega, and supported by BuildAll and Sondolo IT, have developed a closed biosecure prawn farming system. The technology combines computer-driven control systems with biological science to change the way prawn and shrimp are produced…*

*The company said that an economic impact study had shown that besides creating 11 000 largely semi-skilled and unskilled direct jobs when the project had reached full maturity in six years, its Coega facility had the ability to generate 88 000 indirect employment opportunities in a range of support services and industries ranging from transport to catering for the work force, security, and construction and maintenance.*

A series of allegations about ecological abuse soon followed, as reported by Adrian Basson, then with the Mail&Guardian:

*The Coega project was announced by SeaArk Africa in a blaze of publicity on December 11 last year. Claiming it had perfected the world's first closed biosecure farming system, which could grow prawns two or three times faster than its competitors, the company said the 1 200ha high-tech facility would employ 11 000 people. The story featured prominently in the media after a press junket.*

*The M&G is in possession of SANParks's appeal against the pilot project, brushed aside by the Eastern Cape government. SANParks spokesperson Megan Taplin said the prawn farm posed a threat to the marine area adjacent to Coega, which is earmarked for inclusion in a 120 000ha marine protected area in Algoa Bay. "Also, the proposed prawn species is not indigenous to the Indian Ocean region and presents a risk of invasion," Taplin said. Meanwhile, Coega has confirmed reporting SeaArk Africa to the provincial authorities for the alleged unauthorised mining of dunes – a violation of its EIA conditions.*

As News24's Yolandi Groenewald reported in late 2018, when Bosasa faced Zondo Commission revelations, "all the promises turned to dust and despite building what appeared to be a state of the art plant, SeaArk closed down in 2009 without ever getting into commercial scale production." Even worse problems were unveiled:

*Massive prawns, an embezzler and fraudster, allegations of child molesting, as well as political pressure were all ingredients in controversial company Bosasa's aquafarming disaster. To this day Bosasa prawns' biggest triumph was to be served as a starter to former president Jacob Zuma on his birthday…*

*It all started when an American called David Wills convinced Watson that his brand of organic prawn farming was the next big thing back in 2005. Wills soon arrived in South Africa in full force and it seemed Bosasa's prawn farmers were in business… Wills was a convicted fraudster and well known in US circles as pretending to advance animal rights, while actually exploiting them for financial gain. Bosasa's international partner was in fact a disaster waiting to happen. In 1995 Wills was sacked as vice-president of one of the world's largest animal rights organisations, the Washington-based Humane Society of the US, after being accused of fraud and sexual harassment. In 1999, he was sentenced to six months in jail and fined $67 800 for embezzlement, with prosecutors alleging that he gambled the money away in Las Vegas… apart from being a fraudster, Wills may be a child molester as well. He was arrested in 2015 on federal charges of child trafficking.*

The kinds of characters drawn to Coega, largely without official censure, suggest a long history of weak if non-existent personnel accountability systems – a problem also evident in the other two SEZs under consideration below. Nevertheless, Coega continues to be widely feted in South Africa and internationally as the SEZ poster child for South Africa and Africa. Vast amounts of state subsidies have flowed to Coega, despite the dti reporting very low employment in relation to capital and infrastructural investments. In 2016/7 each permanent position came at total state investment cost of R1.2 million (dti, 2016/7).

Reflecting recent problems, the major new investment – a Chinese auto factory built between 2016-19 – has come under criticism for a variety of problems, including its semi-knock down character, labour disappointments and lack of involvement of small businesses. And while a few recent investments in the Coega SEZ are widely trumpeted as a sign of success, even Coega Marketing CEO Ayanda Vilakazi confirms that the publicized investment commitments frequently don't materialise. The SEZ's low rates of investment and employment creation show that it is far from a hub of industrial, manufacturing and shipping activity.

## AGNI STEEL SA PRIOR TO EXPANSION IN JULY 2018

The photo of the planned expansion of the steel recycling and processing plant, Agni Steel SA by Department of Economic Development, Environmental Affairs and Tourism shows the relative lack of investment in the zone, with huge tracts of land still both unutilised and under-utilised.

The auto plant deserves closer consideration. In July 2018, the Beijing Automobile Industrial Corporation (BAIC) and South African Industrial Development Corporation (IDC) joint car manufacturing venture at Coega released the first semi-knock down Sport Utility Vehicle from Coega. The launch of the vehicle was strategically timed: it took place the day before the BRICS Summit was to start in Sandton. The manufacturing plant cost R11 billion, representing the single largest FDI injection into an SEZ in South Africa. In June 2018, Chinese Ambassador to South Africa Lin Songtian stated, "I've been to many developing countries and industrial development zones and the Coega SEZ is by far the best of them all."

## LAUNCH OF THE FIRST SEMI-KNOCKED DOWN BAIC X25 BEFORE THE BRICS SUMMIT 2018 IN SOUTH AFRICA

Between 2018 and 2019, Coega Development Corporation has been struggling to keep the as the BAIC/IDC venture has run into problem after problem. Crises included SMME involvement, budget shortfalls for the start-up phase, differential labour laws, and delays in production, which played havoc with the image projected of a functional SOE partnership. As one report on the partially Chinese-owned Independent newspaper chain confessed in 2018, only 120 jobs at BAIC were created in the first phase, and 'Serious doubts have been expressed in motor industry circles about the claims that the vehicle was manufactured in South Africa... Last September, the local media reported that the construction had been moving at a snail's pace and all SMMEs had vacated the premises due to non-payment' (Cocayne 2018). Local journalist Max Matavire titled a November 2019 article, "Overambitious production targets delay R11bn Baic project":

*The R11 billion Beijing Auto Industrial Corporation (BAIC) plant at the Coega special economic zone in Nelson Mandela Bay has missed its deadline by two years because it failed to meet its own overambitious and unrealistic production targets set at the launch… Currently, they are producing 50 000 vehicles per year from the semi-knocked-down kits. This will increase to 100 000 a year when fully operational. At least 60% of the manufactured cars will be for the export markets in Africa, the Middle East and Latin America with the remaining 40% for the South African market.*

Also in late 2019, interviews with local municipal officials, a community councillor and the owner of an SMME contracted to work within Coega on BAIC's top structure, confirmed that employment creation and SMME development remain problematic (Ningi, T. SME Sub-contractor, Interview 5 November 2019; Pebani, Acting Director Economic Development, NMBM, 5 November; Mbelekane, 5 November, 2019).

The Acting Director of Nelson Mandela Bay Metro (NMBM) Economic Development confirmed that the ratio of both employment creation and growth to capital expenditure to growth remained extremely low. The problem is downplayed in the poetically-entitled "If Africa Builds nests, will Birds come?: A Comparative Study on Special Economic Zones in Africa and China", compiled by the IPRCC in conjunction with the UNDP:

*Recent Chinese research highlights that SEZs are an important vehicle for the relocation of Chinese manufacturing activity to Africa, especially as regards mature and labour intensive industries such as shoe manufacturing, textile and leather goods processing. In addition to the SEZs established under the FOCAC framework, individual Chinese enterprises have created smaller SEZs, such as industrial parks and free trade zones, in Botswana, Nigeria, Sierra Leone, South Africa and Uganda.*

SEZs are meant to be a way of attracting FDI and boosting local manufacturing capacity through up and down stream production, but initially at both the Coega BAIC and at the Dube Trade Port's Mahindra vehicle factory, a high proportion of the components are imported, even though vehicles are to be exported to Africa as made in South Africa.

Moreover, there are very substantial state subsidies involved, far beyond the IDC's 35% funding of BAIC. The Motor Industry Development Programme (MIDP) is one of Pretoria's most generous corporate programmes, as even Deputy Finance Minister David Masondo (2018: 203) explained: 'Instead of building a developmental state, the post-apartheid state elite has built a nanny state which simply provides handouts to transnational companies.' The annual handouts were around R30 billion in tax losses, plus additional costs to consumers of R15 billion. In return, admitted Cape Town economist David Kaplan (2019: 3), in spite of his 'post-Fordist' colleagues' strong support (Barnes, Kaplinsky and Morris 2003), the MIDP failed to meet its own three main objectives:

*The first objective was an increase in production. In 2008, South Africa produced 563 000 vehicles. The declared objective was to double production to 1 to 1.2 million vehicles by 2020. In 2018, 610,854 vehicles were produced; an increase of a little over 8% in a decade. The figure for 2019 is likely to be lower.*

*The second objective was to 'deepen' local content. However, local content levels have been declining and are now below 40%.*

*The third objective was, on the back of rising output and increasing local content, an increase in employment. However, aggregate employment levels have declined. In the period 2004-2006, employment in motor vehicles and parts and accessories was 116,416; a decade later, in the period 2014-2016, employment had declined to 92,213.*

In sum, there are enormous problems emerging in an FDI development model with such a strong export orientation, one that is again receiving endorsement in the new South-South Cooperation development narrative. The extent of local production and job creation will continue to require investigation and oversight at shopfloor and grassroots levels, in combination with systemic analysis of global developmental crises as the world economy enters another recession and as Donald Trump continues to threaten South Africa with removal of the vital Africa Growth and Opportunity Act tariff-free benefits that make auto exports so profitable.

In spite of repeated praise for the 'successful' Coega SEZ, claims of job creation are contradicted by the area's steadily rising unemployment. In addition, promises of skills generation remain largely unfulfilled. Nor has there been specific employment creation for communities relocated from the land Coega now occupies. More generally, only 8200 permanent positions have been created over the 20 years of Coega's existence, along with 11 200 construction jobs. The official documentation – not independently audited by civil society and hence subject to ongoing controversy – is in Table 9.

Table 9: Coega's accomplishments, February 2019

| **43 Operational investors<br>SEZ & NMBLP** | **18 International companies<br>25 Home-grown companies** |
|---|---|
| **R11.579 bn** private sector investment<br>** Actuals with BAIC Phase 1 as at 1/11/2018*<br><br>**R9.53 bn** foreign direct investment<br>** Actuals with BAIC Phase 1 as at 1/11/2018* | **R3.6 bn** top-structures for investors |
| **19 402** Jobs have been created in the SEZ | 8 210 Operational jobs<br>11 192 Construction jobs |
| Over **92 583** people trained since inception | 2 x Customs Controlled Areas (zone 1 & 2)<br>2 x planned Customs Controlled Areas (5 & 7) |
| Contribution to fiscal revenue FY 2014/15:<br>• R1.6 bn in national taxes<br>• R1.38 bn in balance of payments<br>• R2.2 bn impact on households | Local economic development:<br>• **69%** of companies located at Coega SEZ source **70%** or more of their inputs locally<br><br>Contribution to fiscal revenue FY 2014/15:<br>• Impact to Eastern Cape GDP **R3.9 bn** |
| Demographics & transformation:<br>• male to female ratio is 50:44 w/ 69% of employees from affirmable groups.<br>• 64% of all employees at firm level are youth. | ***Actuals with BAIC Phase 1 as at 1/11/2018** |

Source: https://www.coega.co.za/files/CDCGENERICSTAKEHOLDERPRESENTATIONFEB-MAY2019.pdf

dti statistics on the Coega IDZ/SEZ show that the costs of job creation and public infrastructure investment still far outweigh the amount of FDI Coega has been able to attract. If indirect employment created from construction activities is excluded (ironically this is where most of the short-term contracts for local labour are generated, this was verified in community-based interviews) the cost carried by government of each direct job created thus far is R1.2 million (dti, 2015/6 SEZ Performance Analysis Bulletin 2016: 6).

## BAIC IN FEBRUARY 2019

Fieldwork amongst the township communities of Wells Estate and Motherwell confirms that the Coega CDC's commitment to skills training and employment creation does not run much deeper than misleading marketing. Before being relocated, Ngqura (Coega) community farmers utilised the land Coega now occupies for crops and livestock. They were promised RDP houses, employment creation through Coega, and education for their children. Interviews established that two decades later, the reality is a community living in absolute or relative poverty, in worse conditions than before. The majority of families have no reliable income. Those of income earning age are either unemployed or under-employed. The promises made by Coega in order to encourage the Ngqura community to move have amounted to very little. Sub-standard RDP housing has been provided on plots of 300 square metres. According to the focus group (Wells Estate Focus Group meeting, 13 February, 2018),

*The agreement (with Coega) was to increase the plot size from 322m2 to 644m2 and to provide land for our livestock and agricultural farming. Further, we were promised skills training for one person per family and one employment opportunity for one member per family. All these agreements and conditions were never fulfilled by Coega. – Wells Estate Community Member*

Training and skills creation on the part of Coega has only offered the most basic of skills, with the community being offered a lawn-mowing contract which employed less than a quarter of those of employable age. Education opportunities have been few and far between, and Coega's commitment to supporting the education of displaced communities appears to have had minimal impact. The Wells community does not have a secondary school within the township, thus children have to travel to neighbouring Motherwell. The high rate of unemployment in Wells Estate is also attributed to the fact that many children do not matriculate. Focus group accounts from within the community underscore a deep bitterness towards the corporation that has deprived them of the livelihoods. Many families keep a few chickens and small livestock in an attempt to sustain themselves, but the reality is extreme poverty, with little hope of anything other than very basic manual labour forms of employment, mostly of a short-term nature. Focus group members described the harshness of the daily reality of displaced Ngqura families in the context of the broken promises made by Coega officials:

*In 2016, without any notification, Coega pulled out of the grass cutting project in July. We were upset as they had not even fulfilled half of what they had promised us. We left Ngqura because of all the promises made to us. We went back to Ngqura and built shacks as a form of protest to demonstrate that we were not properly compensated. Coega did not give us a chance to state our case – they sent law enforcement and the police to evict us from the area. Immediately after that they sent an interdict stating that we must refrain from moving or rebuilding in Ngqura. We lost everything. When I left Ngqura, my son was still at school and he is 31 years old and has never found an employment opportunity. There is a high rate of teenage pregnancy, young and old people are drinking and some have turned into alcoholics. Come and see for yourself in the mornings when others are going to work, people in Wells go to the Vegetable market where they pick up fallen vegetables and fruits so that they can feed their families. - Wells Estate Community Member(s) 2018.*

Interviews with officials in the NMBM indicate that although the CDC falls under the jurisdiction of the dti, in conjunction with the Eastern Cape Department of Economic Development, it is seen to have exceeded its mandate by both provincial and local government in terms of private consultancy tendering to generate income to subsidise the shrinking government subsidy. While Coega officials are open about their consultancies and consider it to be a condition of their economic viability, both local and provincial government have indicated their disapproval of this unregulated extension of the CDC's core business (Nduvane, Director of Trade and Investment, NMBM, 16 February, 2018).

Against this reality, the private consultancy and tendering extension of mandate on the part of Coega are clearly part of why the parastatal is able to claim success in attracting FDI, and remaining viable in terms of FDI growth within the SEZ and in creating employment. It is unclear how employment figures for the CDC are compiled and whether these include private tendering initiatives. Coega officials are open about the difficulties of attracting FDI, stating about half of statements of intent with regard to business investment in Coega do not materialise. This lack of depth to Coega's inclusive development rhetoric if the developmental spinoff in terms of job creation is taken as a determining factor.

## MUSINA-MAKHADO SEZ

Musina is approximately 50 km from the Zimbabwean border post of Beit Bridge, while Makhado is closer to the town of that name although in a rural area bordering the main N1 highway 50km north. The latter site will host the Energy and Metallurgical Special Economic Zone (EMSEZ). The Musina-Makhado SEZ was designated in 2016, but since then, developments have lacked oversight and accountability. For example, the Environmental Impact Assessment (EIA) process for the EMSEZ zone 2 near Musina has been completed without the knowledge of most local communities. The EIA for Zone 1 has attracted a great deal more attention in 2019, with the Centre for Enviromental Rights (CER) on behalf of groundWork and Earthlife Africa, leading the way in interrogating the EIA process.

Yet the 2019 UNCTAD report on SEZs unequivocally promotes Musina-Makhado:

*In Africa, intercontinental trade and economic cooperation through border SEZs is also high on the agenda. The Musina/Makhado SEZ of South Africa is strategically located along a principal north-south route into the Southern African Development Community and close to the border between South Africa and Zimbabwe. It has been developed as part of greater regional plans to unlock investment and economic growth, and to encourage the development of skills and employment in the region (UNCTAD 2019: 160).*

Although Musina-Makhado is still in its formative stages, it is undoubtedly one of the most important SEZs to watchdog, as it will be South Africa's single largest infrastructural and investment from China. The coal-fired power plant itself will be enormously controversial given its size that it is not in the Integrated Resource Plan for energy and the water required for cooling the plant is not available near the SEZ itself. Moreover, the SEZ's conceptualisation and inception phases already contradict the need for community-based development, national sovereignty and environmental sustainability.

In addition to the $10 billion officially pledged in July 2018 prior to the BRICS Summit hosted in South Africa, on his return from the Beijing Summit of FOCAC, President Ramaphosa announced a further $1.1 billion (R16.5 billion) loan from the Bank of China to be targeted towards SEZs and industrial parks in South Africa, promoting Musina-Makhado SEZ as a major future driver of South Africa's development. Timeslive reported, "Ramaphosa strikes deals in China to bring jobs, factories to Musina-Makhado corridor".

The 2018 FOCAC commitment deepens existing financial support to Musina-Makhado made in 2016. According to the dti, the project will also generate approximately R130 billion of value added investments through the agreement signed at the time between operator the newly formed SOE, Musina-Makhado SEZ state-owned company (SOC) and Shenzhen Hoimor Resources which will also be responsible to "develop, operate and manage" the cluster. The 2019 Special Advisory Report adds,

*In the Musina-Makhado SEZ, the Limpopo Economic Development Agency has signed Memorandums of Understanding and a Memorandum of Agreement with nine Chinese companies, which have committed to investing more than US$10 billion in the zone. The signing ceremonies of eight of the MOUs and the MOA took place in Beijing, China. There are four projects in the SEZ, namely the power plant, coking plant, alloy factory and steel manufacturing. A due diligence assessment will follow the signing of the agreements, and feasibilities studies are currently being undertaken.*

According to the dti,

*The goods manufactured in the SEZ will be for domestic and export markets... only under exceptional circumstances where certain skills are not available in the country will Chinese expatriates be allowed to provide the scarce skills, training of locals and skills transfer," the department said. "The Musina-Makhado SOC has been established to ensure that this is done in line with applicable legislation."*

In mid-2019, Premier Chupu Mathabatha promised that 'more than 21 000 jobs will be created by the SEZ.' And in the President's 2019 State of the Nation Address in Cape Town, Ramaphosa was ambitious about linking the latest SEZ to the rest of the ocuntry: "…we should imagine a country where bullet trains pass through Johannesburg as they travel from here to Musina, and they stop in Buffalo City on their way from eThekwini back here…" He linked the development of the Musina-Makhado SEZ to futuristic visions of a 4IR City, with explicit reference to Chinese assistance:

*We want a South Africa with a hi-tech economy… that doesn't simply export its raw materials, but has become a manufacturing hub for key components used in electronics, in automobiles and in computers…*

*I dream of a South Africa where the first entirely new city built in the democratic era rises, with skyscrapers, schools, universities, hospitals and factories. This dream has been fuelled by my conversations with four people: Dr Nkosazana Dlamini-Zuma, Dr Naledi Pandor, Ms Jessie Duarte and President Xi Jinping, whose account of how China is building a new Beijing has helped to consolidate my dream… Has the time not arrived to build a new smart city founded on the technologies of the 4th Industrial Revolution?*

This idealism, coupled to the fact that the Musina-Makhado SEZ is driven predominantly by Chinese investment, has generated mixed political reactions. Prior to the 2019 elections, the former Democratic Party leader, Mmusi Maimane, criticised the SEZ as a potential form of economic and environmental exploitation in a province already characterised by corruption scandals and poor economic governance.

Currently, the extent of local government and community understanding and involvement in consultation on the establishment of Musina-Makhado is very low (Musiwale Mphophu, Manager, Town Planning, Musina, Interview 10-09-2019; Community Activist Meeting notes, 09-09-2019).

The SEZ consists of two geographically non-contingent zones: 1 and 2. Zone 2, located just outside of Musina, has already been through an Environmental Impact Assessment (EIA) process, and has been approved for light industry. Zone 1, where the projected coking plant and related heavy industries are to be located, is by far the largest and ambitious of the SEZs designated to date, is situated between the two towns of Musina and Makhado.

While the EIA for Zone 1 is currently the subject of some controversy as highlighted earlier, the Limpopo Economic Development Agency (LEDA) located in Polokwane, is attempting to mitigate this critique by revamping the scoping report, due for release in November 2019 (Interview, Rob Tooley, Chair of the SEZ Board and CEO Lehlogonolo Masoga, Polokwane LEDA Offices, 11-09-2019).

Key issues raised by the EIA process include the availability of water in the Limpopo Area, the extent to which communities will (not) benefit from the zone, biodiversity and climate change impacts, and the perceived danger of inflows of migrants from Zimbabwe in search of employment opportunities, amongst others. The critical issue is also the need for coal, and the extent to which coal mining in the area will increase as a result.

Thus far, approximately 20 coal mines across the province have been bought by Chinese investors, according to local sources (Schultz, Telephonic Interview, 22-10-2019). Most of the nearby community residents contacted for preliminary interviews knew nothing of the SEZ, although LEDA claims to have consulted on the EIA for Zone 2. This again underlines the profound disconnect between national, provincial and local government economic planning, with a clear indication of the heavy bias towards corporate welfare rather than community consultation and socio-economic upliftment.

Musina-Makhado SEZ CEO Lehlogonolo Masoga indicated that government was under "huge pressure" to resolve the EIA process as SEZ Operator Shenzen Hoimor were impatient to start "yesterday" (CEO Lehlogonolo Masoga, Polokwane LEDA Offices, 11-09-2019). But credibility is already an issue when it comes to Masoga's pronouncements, for when he was former deputy Speaker of the Limpopo legislature, he was identified by the Public Protector for incurring an exorbitant mobile telephone bill of R125 000 during an official 2014 trip to the United States. CityPress reported that the size of the bill reflected pornography streaming.

南非能源冶金经济特区交通位置图

Will the EIA address the SEZ's massive contribution to climate change? The coal-fired power plant (to be the third largest after Medupi and Kusile) is known as the "Power China International Energy Project." But it is not part of the 2018 Integrated Resource Plan (IRP). The EMSEZ consists of:

- A coal washing plant (with the capacity to process 12 million tonnes per year)
- A coking plant (3 million tonnes)
- An iron plant (3 million tonnes)
- A stainless steel plant (3 million tonnes)
- A ferro manganese powder plant (1 million tonnes)
- A ferrochrome plant (3 million tonnes)
- A limestone plant (3 million tonnes)

In Limpopo province, fieldwork with the activist organization Mining Affected Communities Unite in Action (MACUA) and Women Affected by Mining Unite in Action (WAMUA). MACUA/WAMUA work synergistically to build bottom-up branch based community knowledge and both individual and collective agency on the effects of mining on livelihoods and the social-ecology of areas where mining and mining related industrialization is taking place. The preliminary fieldwork has begun to establish local political economic dimensions and community perceptions of the proposed Musina-Makhado SEZ. Because it is the largest projected injection of infrastructural/industrial (predominantly Chinese) FDI and the most ambitious of the SEZs, the Musina-Makhado EMSEZ process part of which is already a fait accompli, will need community awareness-raising and involvement. In policy terms it represents the most significant foreign contribution to 'inclusive' development made in FOCAC, and will serve as a useful case study for illustrating the effects of large-scale Chinese investment "aid" in the form of loans to South Africa. The Musina-Makhado SEZ impact on both the local development and the South African political economy in geo-strategic terms will be significant over the next decade. As newspaper reports confirm, EMSEZ will primarily be a Chinese dominated heavy industrialisation growth node. And while minerals beneficiation is highlighted as the development focus, the socio-ecological dimensions of the EMSEZ on the Limpopo province cannot be under-estimated, as the CER objection makes very clear.

## DUBE TRADE PORT SEZ

Moving to KwaZulu-Natal, just north of Durban at the site of the King Shaka International Airport, the Dube Trade Port is meant to be at the centre of a new 'aerotropolis,' encompassing the Dube TradeZone, Dube AgriZone, Dube iConnect (zone of technological advancement) and Dube Support Zone. Like a Phoenix (the name of a nearby township), Dube City would emerge in the surrounds of the airport with hotels, a conference venue, restaurants, shops and an open-air cinema:

*Dube City is 22 000 ha of highly intensive business development… (comprising of) hotels, offices and business parks. The funding will come from private companies and it will develop as an upmarket area generating high income… The airport will definitely help grow Dube City (DTP, 2/18 April 2012).*

Incredible claims were made regarding the province's strategic position of what was now touted as a potential aerotropolis, particularly its location and access to the Durban and Richards Bay ports:

*Aerotropolis development, burgeoning port infrastructure, direct access to more than 120 global destinations (via Dubai with Emirates) and linkages with Southern African (SADC) countries (currently Zambia and Zimbabwe and extending to an additional eight destinations within 24 months via SA Express) combine to position the region as a key business entry point into South and Southern Africa (DTP, 2/188 April 2012).*

Regardless of the fact that cargo volumes were decreasing and sea freight was the predominant cargo handler due to lower costs, KZN it was claimed, needed to pump millions into cargo facilities at the airport: "Infrastructure provides benefits and opportunities for a range of people from all income groups… the DubeTrade Port plans to decrease the high unemployment levels in Durban… and also KwaZulu-Natal" (DTP, 3/21 May 2012).

One of the central features of the DTP is the much touted AgriZone estimated to cost in the region of R430 million (The Mercury, 23 April 2012). This zone consists of a series of monumental greenhouses, 160 000 square metres in area, and touted to provide fresh vegetables and cut flowers for the export market. The Zone was proclaimed the centre-piece of DTP's push to export perishables and hailed as 'the most technologically advanced future farming platform on the continent' (DTP, 2014).

One of the tenants that received much publicity was Carmel Nursery, arriving in the Zone in 2012. Carmel was billed as exporting tulips to a company called KP Holland located in Amsterdam. The deal involved the export of 30,000 flowers per week between the months of October and March and was estimated at R10,6 million (The Mercury, 23 January 2013). The Dube Trade Port's AgriZone Executive Mlibo Bantwini was effusive:

*This contract will increase the reputation of the AgriZone as a good source of perishable produce and potentially increase air cargo from the region… The aim is to focus on the KP Holland contract and service it well before venturing into other markets… Other markets include the rest of the EU and the Middle East (The Mercury, 23 January 2013).*

In the first six months, Carmel reached the grand total of 200 Thai tulips, far short of the 30 000 that it was scheduled to sell weekly in that period. Added to this was the quality of the product which KP Holland was not happy with. Eventually Carmel had to close down. Alongside this, local farmers alleged that they had been squeezed out as cucumbers, tomatoes and peppers grown in the AgriZone and destined for the skies flooded local markets. As one local farmer states,

The local cucumber market had 'crashed'. "I was a cucumber grower and will have to cut 30 of my staff… The Agrizone produces over 70 000 cucumbers a week. We cannot compete with that. Farmers are really under pressure. I have been running at a loss since the Agrizone began flooding the market" (The Mercury, 23 April 2012).

While the Dube AgriZone was meant to have a mix of more experienced farmers and those still relatively new in the market, the Zone built with millions of public funds only accommodated the former. This was justified by Mlibo Bantwini:

*... the model that we chose was to go with experienced companies, because if you successful in your first phase, it strengthens your case when you want to do a number of developmental projects... you gain momentum, you gain confidence within the stakeholders in the market... and they support your project, whereas with the developmental approach, only where you have new entrants, the risk of failure is higher… You will struggle to motivate, get funding, and investor confidence goes down. Success breeds success (Bantwini quoted in Cassim, 2014: 63).*

The DTP advertised a much heralded 'Food for Recyclables' initiative in October 2012. This programme involved 4 schools in the surrounding areas that would receive produce grown at the AgriZone in exchange for recyclables like cans, papers and plastics. But by 2014 the programme had to be postponed 'due to an inconsistency of fresh produce supply from the Dube AgriZone' (Cassim, 2014, 93).

A light rail link from Ballito to Moses Mabhida would be built, one day, stopping at the airport. Years later, it has yet to get off the ground, with no prospect in sight. Like the AgriZone, it is one more example where the promised windfalls and spin-offs of massive contracts have come to nought. Nothing is born from them: the white elephant stadiums, airports, and harbours are sterile.

These realities seemed to have been missed by the then Premier of the Province Senzo Mchunu at the launch of the Dube Trade Port Industrial Development Zone (IDZ) on 7 October 2014: "We can even look as far north as the Makhatini Flats (in northern Zululand) giving the commercial and emerging farmers in that area a mechanism to get their produce to the international markets" (The Mercury Business Report, 10 October 2014). Only one contract was signed for the AgriZone with a Nigerian customer, according to Dube Trade Port's 2013/2014 annual report. And still the planes have not come.

The international arrivals area at KSIA stands nearly empty. The Trade Port waits for foreign investors who demand more and more incentives. Its brand new buildings already have a haunted look. The provincial government though, is pursuing 'a vigorous strategy of connecting with capital cities, strategic capital cities… We are in negotiations with airlines and already chasing routes' (The Mercury, 8 October 2014). This has been the mantra for some time now. The reality is that while OR Tambo remains ACSA's number one, the possibilities for international flights will fail to get off the ground.

Government's response to the waning fortunes of the Trade Port has been to hand out a dispensation in the form of Special Economic Zone (SEZ) status, designed to promote economic development and competition. However, these zones also signal a relaxation in labour laws and channel yet more investment away from basic infrastructure needs elsewhere. Even Moneyweb had this to say:

*It's hard to imagine what 'quality services' and 'support measures' the South African government can offer that will make the country's SEZs competitive among the thousands of SEZs around the world that offer comprehensive packages of tax incentives, top-notch infrastructure and cheap labour. South Africa simply doesn't offer any particular advantage – say an unrivalled expertise in microchip design or phenomenal shipping capacity… (Moneyweb, 20 March 2012).*

As if on cue, on 8 October 2014, President Zuma flew into Durban to launch the Dube Trade Port, promising a fresh fleet of incentives to draw investors in. Billions will be poured in to help keep 'Southern Africa's premier logistics platform' in the clouds. President Zuma told the assembled guests that

*South Africa is open for business. We are determined to create an environment that is investor friendly… Our people will judge success by the manner in which the IDZ changes their lives through jobs and a better life. They will see success through seeing the fruition of the dream of the founding president of the ANC, Dr John Langalibalele Dube, after whom the Trade Port is named. He painted a picture of a successful and prosperous South Africa. He said this state would occur: "When the sunshine of the new civilization shall rise upon a land teeming with commerce; where upon every hill top shall be seen the school house and the church; when indeed Africa will be a nation among nations" (The Mercury Business Report, 8 October 2014).*

Personnel at the SEZ included controversial people, starting with the chief executive until mid-2012, Rohan Persad. As Fin24 reported, he "had been on cautionary suspension since July 12 after it had been reported that he had allegedly taken kickbacks from Alex McRoberts, a director of Worldwide Flight Services SA, which operates Dube TradePort's cargo terminal at the airport." Persad's take was apparently R15 million. He was followed in the CEO position by Saxen van Coller, who was unveiled as a fraud in 2015 (she was in control of a R600 million annual budget). In a March 2015 story, CityPress asked, 'Is this SA's dodgiest chief executive?'

*She made up her qualifications one by one, and landed plum jobs as a result. But Saxen van Coller, AKA Yvette Coetzee, has finally been caught and exposed and her career as a con artist is, hopefully, over…. She once duped one of South Africa's wealthiest men, Johann Rupert, into giving her a job… He was searching for an experienced candidate to run the Sunshine Golf Tour, an international tournament Rupert chaired… sources close to the Sunshine Golf Tour told City Press Coetzee had allegedly threatened to sue Rupert after he asked her to 'disappear'. Instead, she went on to become more visible than ever…*

*Van Coller was suspended after 'anomalies' were found in her claim that she held a BA, an MBA and a doctorate. One of her qualifications was allegedly found to have been obtained from a university that had closed before the date on which she claimed to have qualified… Another friend, who later 'lost touch' with Coetzee, said she usually claimed she obtained the MBA, BCom and doctorate from US universities that had closed down.*

The DTP board chair, Bridgette Gasa, had welcomed the new CEO two years earlier: 'Ms van Coller's strength lies in her ability to turn around battling businesses or in taking thriving businesses to new levels of success. The secret to her success in this regard is being able to bring operations, strategy and people together. We feel that her past experience has equipped her perfectly for her role within DTP Corporation.'

Perfectly indeed, for according to two leading Durban geographers, Di Scott and Cathy Sutherland,

*The DTP is 'exceptional' as it has been developed outside the city's urban development line (UDL), undermining a tool developed to promote the compact city. The map shows Durban's 2008 Strategic Development Framework with the contradiction of Dube TradePort and the KSIA lying outside the UDL and a northern arrow showing the development trajectory of the city. The UDL was subsequently extended to include this mega-project in the revised 2012/2013 Spatial Development Framework, revealing the power of mega-projects, and their visions, in reshaping the city.*

Despite both multilateral, national and provincial 'talking up', interviews inside and outside the zone and with community residents of Durban reveal the impact of the Trade Port on the local economy has been minimal. Furthermore, the link-up between the two ports in terms of transport and FDI strategy is minimal (SDCEA Dialogues, May 2019; Peterson, Senior Manager, Transnet, 1 August 2019; Hutton Area Manager, Interviews, Dube SEZ and City, 22 June and 2 August 2019).

## PROJECTED DUBE TRADE PORT EXPANSION 2019-2022

Nonetheless the 2019 UNCTAD SEZ Report reflects very positively on the Dube SEZ, stating,

*Where natural resources are a substantial part of the economy, natural resource-based zones are common. These zones host a subset of the manufacturing sector, processing raw materials and intermediate products derived from agriculture, fisheries, forestry or extractive industries. The objective is to pursue vertical integration, higher value added exports and broader economic transformation.*

*African governments are developing agro-zones to promote both food security and a shift from subsistence farming to agro-industrial development. To this end, they are developing agricultural corridors, agro-based clusters, agro-industrial parks and agro-incubators (IISD, 2017). These zones range from a few hectares in urban areas to tens of thousands across regional, national or supranational areas, offering benefits from infrastructure to customs facilitation as well as advantageous regulatory frameworks. South Africa's Dube AgriZone, which is part of the Dube Trade Port SEZ, is one such example. The zone hosts the region's largest climate-controlled, glass covered growing area and also includes packhouses, a central packing and distribution centre, and a laboratory.*

KwaZulu-Natal leaders continue to dream big, although both primary and secondary sources indicate that the link between national, provincial and local policy implementation substance to underpin their visions. For example, in August 2019, in addition to promising 75 000 jobs as part of the Aerotropolis, MEC for Economic Development, Tourism and Environmental Affairs, Nomusa Dube-Ncube stated that the Dube SEZ,

*calls for creative and innovative ways to reskill our people, bring more investments and build smart solutions. We believe our region and our province's full investment potential has not been explored and exploited fully. KwaZulu-Natal provincial government is implementing the Aerotropolis initiative, whose vision is to develop a 21st-century city around King Shaka international airport. This will embrace the "Smart-Cities Concept". The Aerotropolis is a new form of transit-oriented urban development where airports are the drivers of the 21st-century cities just like seaports in the 17th century, rivers and canals in the 18th century, railroads in the 19th century and highways in the 20th century…*

*The Durban Aerotropolis is envisaged to be a city built around King Shaka International Airport (KSIA) offering businesses speedy connectivity to suppliers, customers and enterprise partners nationally and worldwide. The Aerotropolis is premised on a globally connected international airport that links travellers, suppliers and buyers to international markets. It is against this backdrop, that the provincial government is currently working with provincial and national stakeholders to position King Shaka International airport as an alternative air and cargo hub for South Africa.*

The Dube Trade Port's claims to promote sustainable development obviously collapse based on the vital role of air transport.

Geography is a revealing feature of Dube and the Aerotropolis, especially in terms of lining up with the Durban Port, which is linked via a convoluted road network that is often jammed with trucks on the M7 connecting road near the harbour. Nevertheless, according to Jabulani Sithole, the SEZ Manager Dube Trade Port (interview, 22 July 2019) "… Dube Port is very strategically located. Investors want to locate here. There is a very strong pipeline in terms of those who want to invest. Zones are growth points, and being a little bit more aggressive on the FDI. But the dirty industry component is being exported…."

The broader Durban unemployed and under-employed are increasingly disinterested in the Dube Trade Port government hype, as it has been ongoing for some time. The job creation statistics released periodically are idiosyncratically disjointed and unsynchronised. For example in April 2019, former MEC for Economic Development, Tourism and Environmental Affairs in the province, Sihle Zikalala, stated,

*Just recently, we announced that we have amassed business prospects worth more than R200 billion which will see cranes forming the outline against the province's sky and unleash considerable job opportunities. We are proud that since opening its doors in 2010, the Dube Trade Port has created thousands of jobs and contributed vastly to the provincial fiscus. To date, the first phase has created more than 12 000 job opportunities – of which 3246 are permanent jobs in the precinct.*

Just a few months later the new MEC Nomusa Dube-Ncube has pledged 75 000 jobs to be created through the Aerotropolis, figures that even SEZ official were surprised by on their release (Tim Hutton SEZ and Dube City Area Manager, Interview, 2 August 2019).
Phase 1, despite 5 years of establishment, remains currently small-scale, but growing with investor demand, according to Area and Sale Manager Tim Hutton (interviews 22 June and 2 August 2019) rather than with huge state capital expenditure on infrastructure in advance of demand (the Coega SEZ model). The hopes for massive job creation hinge on subsequent phases, of which Phase 2 is formatively underway. As can be clearly seen from the photo below, phase 2 will deliver job creation opportunities in the medium to long term. This will be highly dependent on local and foreign investment commitments.

As for potential linkages between the Durban Port and Dube Trade Port, the optimal strategy would lead to a revitalised rail corridor and more coherent form of environmentally-friendly, labour intensive production, as argued by the South Durban Community Environmental Alliance, SDCEA (in collaboration with groundWork). SDCEA has assisted in hosting a community dialogue with 46 members of the communities of poorer areas in Durban affected by the lack of employment creation in the two ports, as well as by overly-ambitious Transnet port expansion plans. ACCEDE Researchers also attended a municipal/community debate on air pollution in South Durban which highlighted the systemic environmental effects of refineries and factories in the area. They produce significant levels of air pollution, which are not properly monitored, much less regulated (SDCEA and Groundwork meeting with City Health Centre Officials: Pollution Control and Risk Management 23 May 2019). The SDCEA vision for a detox of the industrial area stretching from Amanzimtoti to Umbilo could logically be extended to Dube so as to draw in the variety of activities considered useful in a broadly-conceived SEZ complex.

## KEY POLICY ISSUES IN THE SEZS.

Unfortunately, South Africa's SEZs thus far reveal a lack of accountability, especially given the desperate need for jobs and skills improvements, and government and corporate promises that these will result from the far lower tax rates and other benefits of SEZs. The broken promises reflect the further erosion of democratic values in South African society, where government economic policies that portend to be inclusive are taken less and less seriously by communities in dire need of socio-economic upliftment.

The reliance of the SEZs upon carbon-intensive environmentally-unfriendly energy sources and the outputs of products such as expensive automobiles and smelted metals are at odds with South Africa's commitments to the United Nations Framework Convention on Climate Change, and to the National Planning Commission's stated endorsement of a 'Just Transition' away from coal. In the case of the Musina-Makhado SEZ the area's coal quality is not ascertained and the use of northern Limpopo's very scarce water for washing coal is extremely dubious given periodic droughts and more appropriate allocations of water to meet basic needs and provide a higher level of food security.

Similar disputes about local and global environmental conditions exist in eThekwini. SDCEA has been campaigning local, provincial and national government on the impact of the air pollution from South Durban oil refineries and trucking industry on local communities. The heavy reliance on trucks at Dube Trade Port and Durban Port is largely as a result of the China South Rail/Transnet train infrastructure scandal. Thus far, between the two ports there is little in the pipeline to relieve this environmental and socio-political problem. The socio-political dimension has flared up in 2019, due to a spate of xenophobic attacks by local truck drivers against immigrants (who work for less).

The three SEZs focused upon here are in need of close oversight: they are located in areas of high unemployment and under-employment. The zones are advertised on North-South (G20) and South-South (BRICS/FOCAC) collaboration platforms and in national economic policy as a way of generating employment, skilling and re-skilling local labour forces. For this reason, Musina-Makhado for example, has been welcomed by local communities. In eThekwini and in Nelson Mandela Bay Municipality, there is more protest, disappointment and disinterest in the failed job creation policy promises around the SEZs. Following these patterns of protest, disaffection and development policy adaption on SEZs is an important part of understanding patterns of assimilation and/or resistance to the expansion of global capitalism and its effects on communities.

# CONCLUSION

Led by China, the South- South model of collaboration emphasises the merits of the Chinese state-led economic development approach The notion of development as a transformational force has been subverted by multiple centres of power and politics, to which the South-South Cooperation model of integration further contributes. While the marginalised do not accept these power dynamics quietly- the battle for resources and distributive justice is endemic, the ideological content of the battle is not always shared or clear. In Brazil, India and South Africa social mobilisation has been critical to democratising development from below (Schatten-Coelho, Mohanty and Thompson 2010; Mohanty 2018:5). Part of the problem with the entire development debate is that it has become a system of control. International development conceals the broader economic project of economic domination. BRICS and FOCAC forms of South-South Cooperation do not run counter to the industrial revolution expansionism and forms of global systemic socio-economic exploitation. While African development initiatives are articulated within a reconfigured, complex global economic system, certain economic features remain the same.

The core of the current battle for geostrategic supremacy in Africa, is the need for resources and to export the internal contradictions that capitalism inevitably generates with regards to over-accumulation. BRICS regional economic hegemons in the semi-periphery facilitate and amplify the export of these contradictions from global centres of economic powers, as the same systemic economic fault-lines manifest in their own economies. While their roles may differ in each regional (hinterland) context they nonetheless play a role of both enforcing their own (usually somewhat precarious) political and economic hegemonic status by ensuring that global, nation state (SOEs) and corporate elites are able to prioritise profit maximisation.

In order for the government to ensure the symbolic hegemonic role referred to earlier, and to increase the ability of SOEs and South African corporates to extend their profit-making ventures into Africa, Chinese development policy narratives require deep assimilation into state development policies. The IPRCC and UNDP report (2015:57) draws attention to the geostrategic intention behind the promotion of the zones throughout Africa,

*… having reviewed Chinese SEZs in Ethiopia, Nigeria and Zambia it became clear that while SEZs have not been playing a major role in China's going out policy, they increasingly support China's internationalisation efforts and have the potential to play a more prominent role in the future, possibly in the context of China's newly proclaimed "One Belt, One Road" Initiative (Belt and Road), which includes the African continent. This initiative also holds great potential for African countries to strategically use SEZs as hubs for economic integration with other Belt and Road countries in Europe, the Middle East and Asia. While there is clearly a need for further research on SEZs in Africa to allow for continent-wide findings, the six SEZs reviewed in Ethiopia, Nigeria and Zambia provide valuable insights given their diverse focus, size, geographic locations, management structure and institutional and regulatory frameworks. In contrast to other studies that reviewed these zones in recent years, which found that limited progress had been achieved, this study concludes that most of the SEZs have made good progress in addressing their development challenges and have managed to attract local and foreign investment.*

Thus, China's Da Yaunzhu or Grande Aid, exports the notion of non-traditional aid through trade and infrastructural investment (non-traditional aid) that expand to includes a more globalist reach – through the Belt and Road Initiative (BRI). The extensive promotion of the Musina-Makhado EMSEZ by the South African government shows that this deep assimilation is underway with potentially catastrophic implications for sustainable development and communities. The activist work of MACUA/WAMUA in establishing branches throughout South Africa to raise community understandings and activism on the impact of the zone are critical. Through the collaborative fieldwork process, a MACUA Youth branch is being set up at the University of Venda near Makhado, and future action research will track the development of community knowledge on the zone. Other activist organisations like Save Our Limpopo Valley Environmental (SOLVE) Group are also mobilising for community awareness in the Musina-Makhado area. MACUA/WAMUA's way of setting up community branches to create collective and individual agency and to drive mobilisation is unique in empowering communities to voice their own developmental priorities. Similarly, the work of the SDCEA is important in raising community awareness and activism around the

The COEGA website states that "...the Coega SEZ is home to the diesel-fueled 342 MW Dedisa Peaking Power Plant (PPP), and is an existing market for LNG. Upon finalisation of the integrated Resource Plan (IRP), the DMRE intends to proceed with a Gas to Power Programme, with the Coega SEZ hosting at least 1,000 MW of additional gas-driven power generation". SDCEA is expanding its community reach to include the coastal SEZs of Richards Bay, East London and NMBM. This will be important as the expansion of the zones takes place in linking communities with similar experiences of the impact of the zones.

To conclude, as the paper highlights, perhaps more bluntly than Finance Minister Tito Mboweni's August pronouncements in Economic transformation, inclusive growth, and competitiveness, South Africa's SEZ policies have not delivered on either greater export competitiveness, the development of value chains or increasing employment opportunities, especially for the semi-skilled and unskilled communities in proximity to the zones.

The SEZs have increased the influence of Chinese Infrastructural Investment, loans and trade to South Africa. The SEZs are increasingly framed as important to South-South Collaboration through the Belt and Road Initiative. Yet the narratives on South-South Collaboration (South-South Cooperation) buttress a marketing image of success that is not yet met in the functionalities of the zones, nor in terms of the global-national-provincial-local linkages. Sustainable development is distinctly off the operational menu. Transformative development policies, globally and nationally, occur through contestation and struggle. Grassroots social forces and social movements represented by activist organisations like SDCEA and MACUA help to forge transnational solidarities and national and local resistances to exploitation . It is through these forms of shaping local knowledge into sites of collective power and influence that hope for development alternatives rooted in the livelihoods realities of the excluded of the South are likely to be achieved.

Musina Makhado field trip 2019 Abandoned Coal Mine close to the SEZ

Dube City

Community Climate Change Protest

MACUA/WAMUA, SOLVE and ACCEDE meet with communities