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Adverse international and local conditions for South Africa's Special Economic Zones

South Africa's Special Economic Zones in Global Context

by Eric Toussaint, Ishmael Lesufi, Lisa Thompson and Patrick Bond

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ADVERSE INTERNATIONAL AND LOCAL CONDITIONS FOR SOUTH AFRICA'S SPECIAL ECONOMIC ZONES

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SUMMARY

South Africa's Special Economic Zones (SEZs) have, for the last two decades, contributed to a core – albeit underperforming – economic policy strategy known as export-led growth. They were devised by the Department of Trade and Industry as a response to a longer-lasting crisis dating back not just to liberation in 1994, but at least to the early 1980s: the country's diminishing international competitiveness and narrow internal market. However, as Finance Minister Tito Mboweni's August 2019 policy paper – Economic transformation, inclusive growth, and competitiveness – implicitly admits, SEZ policies have not made a substantial difference to either export competitiveness or expanding employment. The concerns of SEZ workers, nearby residents, environmentalists and the general citizenry (who are responsible for paying subsidies into SEZs) are rarely considered seriously in this process, even when a deterioration in the overall economic context leads to even worse forms of exploitation than are typically found in non-SEZ sites.

Since the 'New Dawn' of Cyril Rampahosa's government, there has been a renewed push to expand SEZs and promote exports, in part through the objective of attracting $100 billion in Foreign Direct Investment (FDI) from 2018-22. Although 2018 offered an encouraging start, as FDI rose rapidly from 0.3% to 2.23% of GDP, this proved to be a chimera. As the main UN investment agency reported, "(t)he surge in inflows was largely due to intracompany loans" – at a time South Africa is risking a foreign debt crisis because of a sustained current account deficit (due to the profit, dividend and interest outflows from SA, in spite of a trade surplus).

In addition to local problems, the overall context for SEZ promotion is even more gloomy: globally, in China and in Africa. Trade and currency wars involving two of South Africa's major trading partners – the US and China – broke out in 2018 following a decade of economic 'deglobalisation,' signifying a profound global trade disentanglement process, similar to the 1880s-90s and 1930s-40s. Since 2007, South Africa has suffered not just diminished FDI, but also declining relative trade rates. Main reasons are that the economy has become less competitive, production of inputs into well-established value chains is in decline, and established trading partners are shifting both towards inward-oriented markets (especially China's) and into 'dematerialised' trade in services and data. Moreover, hopes for Africans buying more South African products have faded decisively since the bust of the commodity super-cycle.

Along with rising world financial volatility, these conditions should encourage a rapid rethink of South Africa's economic policy, especially its purported developmental commitments to societal upliftment. Global geopolitical and environmental crises add to the economic arguments for a dramatic change in approach. One option discussed is to progressively move away from the capital-intensive, carbon-intensive export sectors, towards labour-intensive, ecologically-sustainable production priotising local consumption ('import substitution industrialisation'), as recommended by voices as diverse as the SA Federation of Trade Unions, the late African political economist Samir Amin, and the greatest 20th century economist, John Maynard Keynes.

RISING ELITE AWARENESS OF ECONOMIC CRISIS CONDITIONS AND DEGLOBALISATION

1 INTRODUCTION: OPENING UP AN OVERDUE DEBATE OVER SEZS

Given both short- and longer-term trends in the world and South African economies, there is a danger of government and society placing inordinate hopes in what are variously termed Export Processing Zones, Industrial Development Zones and Special Economic Zones (SEZs), as sources of economic vitality and job creation. Specific South African SEZs are discussed in future Working Papers in this series, which acknowledge some limited successes with innovation and sustainability investments. However, a look at the big picture is urgently required, because too many debates over South Africa's lack of economic dynamism focus on microeconomic conditions, such as the 4th Industrial Revolution, corruption, the strength of organised labour, state regulation, and youth employment subsidies. *Macro-economic conditions are vital to consider, when considering whether SEZs are appropriate. These conditions in turn, require contextualisation scaling down to local conditi9ons of communities in SEZ locales*

The United Nations Conference on Trade and Development (Unctad) is a proponent of SEZs, and although the Geneva agency traditionally had a relatively progressive role in advocacy for Southern interests, Unctad appears to have shifted to a 'neoliberal' (corporate-friendly), export-fetishising bias. Many of the criticisms of SEZs we make in the following pages, based on the current fragile global macro-economic and tumultuous geopolitical contexts, are simply ignored in Unctad's June 2019 World Investment Report, a study dedicated to promoting SEZs: "(w)e are seeing explosive growth in the use of SEZs as key policy instruments for the attraction of investment for industrial development. More than 1 000 have been developed worldwide in the past five years and, by Unctad's count, at least another 500 are in the pipeline for the coming years." To be fair, however, Unctad (2019, 205) concludes the report with this caution: "(t)he key objective should be to make SEZs work for the Sustainable Development Goals: from privileged enclaves to widespread benefits."

Future working papers consider whether workers, residents (especially the two-thirds of South Africans below the Upper Bound Poverty Line), environmentalists and the citizenry at large gain widespread benefits, or instead suffer greater losses. In general, SEZ benefits go to 'privileged' foreign corporations. Following this global trend, South African SEZs provide investors with relief from Value Added Taxes, import duties and corporate taxes (the SEZ rate is typically about half that prevailing outside the zone, i.e., 15% instead of 28%). SEZ leaders include the Dube Trade Port in conjunction with the Durban Port, Coega north of Nelson Mandela Bay, and – if the Chinese follow through on commitments made in September 2018 – the planned Musina-Makhado metallurgical complex in Limpopo Province. All are sites worthy of deeper study in future Working Papers given the amounts of fixed capital already invested and envisaged.

In this Working Paper we consider only the international and national economic conditions underlying the potential of SEZs to deliver on Global South commitments to inclusive development. In spite of generous subsidies, these conditions are increasingly hostile. Some adverse factors relate to systemic overproduction driven from China; some to the global trade and currency-depreciation war that is presently intensifying; some to world financial volatility; some to South Africa's foreign-debt stresses, high interest rate regime and declining currency; and some to the overall problem of South Africa's uncompetitive production systems during an era of sustained overcapacity. The vulnerability of the current system includes its export-oriented, capital-intensive, carbon-intensive, uninclusive economic features.

This paper contrasts the existing strategies and development values that are embedded within current SEZ policy, with a different set that draw on 20th-century developmental successes. The latter are much more closely associated with 'import-substitution industrialisation,' but one that has more labour-intensive, ecologically-sustainable and inclusive features. One such approach is the 'Million Climate Jobs campaign,' similar to other countries' discussions of a Just Transition and Green New Deal.

We begin with a brief review of the major local and international economic problems, including the lack of investment following a recent wave of overinvestment, also termed overaccumulation of capital. The problem, we will see, affects both the world and South Africa – and is one reason why 'deglobalisation' or 'slowbalisation' are terms entering our economic discourses.

1.1 FIXED INVESTMENT STRIKE AND 'DEGLOBALISATION,' HERE AND EVERYWHERE

Like most of the world, South Africa confronts the harsh reality of declining local fixed investments and Foreign Direct Investment (FDI) (not just in SEZs), as well as much lower rates of global trade/GDP compared to 2008 highs. The South African economy not only suffered from excess exposure to globalisation, because much of the labour-intensive manufacturing base shrunk rapidly during the 1990s, especially in the clothing, textiles, footwear, appliances and electronics sectors. Moreover, because of new vulnerabilities that have emerged since then, South Africa also became one of the world's 'deglobalisation' losers, once this phenomenon gathered pace since the 2008 peak year of international economic inter-relationships. For example, the SA Reserve Bank (SARB 2018, 9) in June 2018 bemoaned how "capital spending by both the private sector and general government decreased … hampered by the constrained fiscal space, policy uncertainty (in the mining sector in particular), and very weak civil construction confidence." In early 2019, the SARB (2019) reported a further decline of -9.8% in private fixed investment.

GROSS FIXED CAPITAL FORMATION AS A % OF GDP, 1970-2018

Source: World Bank 2019

Later we consider in detail a central reason for the decline in South Africa's fixed investment since 2008. The local economy faces a generalised problem also witnessed internationally: the 'overaccumulation of capital,' a phrase indicating sustained over-investment in the prior period, disincentivising new fixed capital formation. As indicated above, South Africa's overaccumulation from 1980-95 was only resolved briefly and untenably in the early 2000s thanks to the commodity super-cycle and intensified consumer borrowing – both of a short-term nature. Typically, an overaccumualtion crisis is most acutely felt within an undynamic, oligopolistic local corporate structure. One obvious local example was the way Chinese steel dumping forced the 2015 closure of the second-largest firm (Evraz Highveld, owned by the Russian tycoon Roman Abramovich) and still threatens the largest (ArcelorMittal, owned by the Indian Lakshmi Mittal) – notwithstanding rhetoric on economic collaboration between their home countries' leaders.

As a result of such deep-rooted structural barriers to further accumulation, the South African economy is falling more rapidly than most when it comes to attracting FDI. Although a momentary uptick occurred in 2018, the inflows of FDI from 2013-18 amounted to just $17.1 billion, in contrast to $29.8 billion in South African FDI outflows. And in terms of FDI stocks, what had been in 2010 a net $96.4 billion positive inward capital stock of FDI reversed to a $109.1 net outward stock of FDI (Unctad 2019, Annex Tables 1&2).

SOUTH AFRICA'S FDI INFLOW AND OUTFLOW, 2013-18

Annex table 1. FDI flows, by region and economy, 2013 - 2018 (continued)

Region/economy	FDI INFLOWS 2013	2014	2015	2016	2017	2018	FDI OUTFLOWS 2013	2014	2015	2016	2017	2018
South Africa	8 300[c]	5 771[c]	1729[c]	2 235[c]	2 007[c]	5 334[c]	6 649[c]	7 669[c]	5 744[c]	4 474[c]	7 366[c]	4 552[c]

Annex table 2. FDI stock, by region and economy, 2000, 2010 and 2018 (continued)

Region/economy	FDI INWARD STOCK 2000	2010	2018	FDI OUTWARD STOCK 2000	2010	2018
South Africa	43 451[c]	179 565[c]	128 809[c]	27 328[c]	83 249[c]	237 976[c]

Source: Unctad, 2019, Annex Tables 1&2

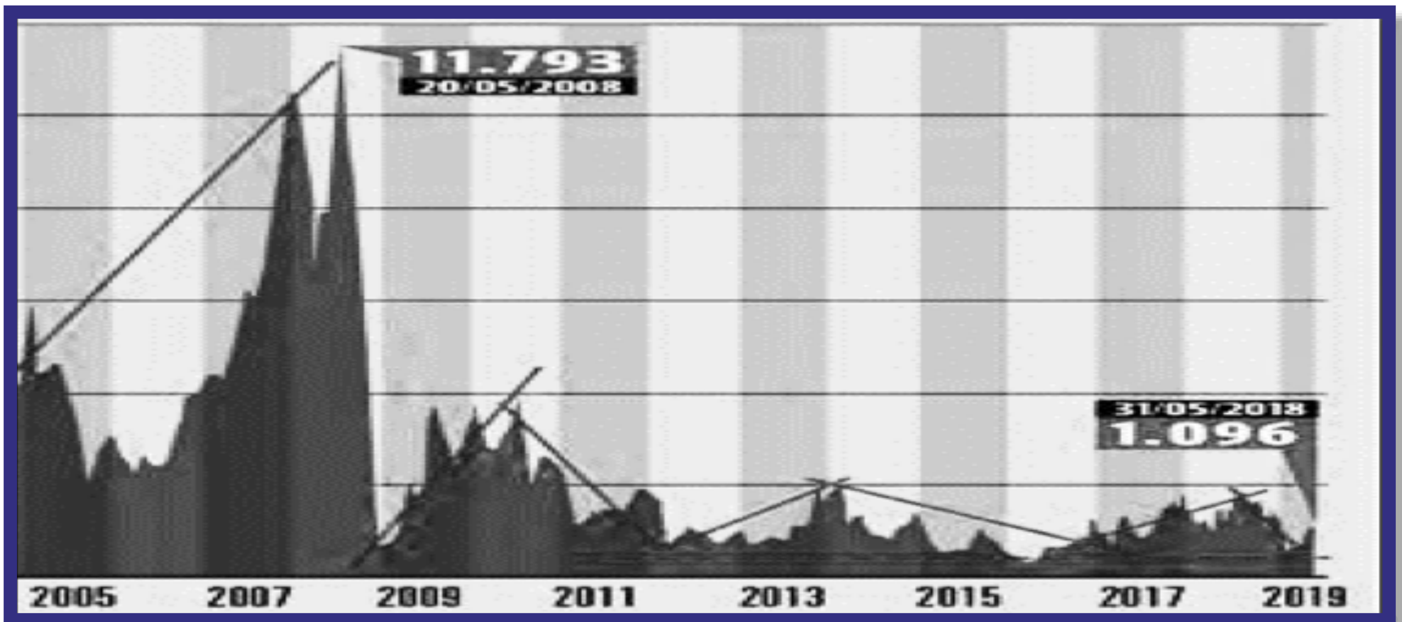
To illustrate the extent of investment deglobalisation, the level of new FDI across the world fell by nearly 20 percent to $1.2 trillion in 2018, after three successive years of decline from the 2015 peak of just over $2 trillion (Unctad 2019, 1). From peak levels in 2007, FDI profitability, trade/GDP ratios, and even cross-border financial flows all dropped markedly (Garcia and Bond 2018).

INVESTMENT AND FINANCIAL FLOWS FALL AS % OF GDP, 2002-17

Source: Unctad 2019

Not only has FDI been crashing, from the 4.5% of GDP peak level of 2006-07 to 2.4% in 2017, so too have cross-border financial flows (from 16.1% to 4.5% of GDP in the same period) and relative trade rates. The Baltic Dry Index, the world's main measure of shipping, plummeted from a level of 11,500 in 2008 to below 1,500 since 2014. The 2008-09 collapse of trade and its subsequent slow decline was similar to two prior episodes of rapid deglobalisation, in which one measure – world imports/GDP – fell during roughly 15-year periods, from 1880-97 and from 1929-45. Along with other indicators, this suggests that a deglobalisation (or as The Economist now prefers, 'slowbalisation') era began after the 1980-2007 era of rapid globalisation, and that the most intense period of shrinkage is now on the immediate horizon thanks to trade and currency wars.

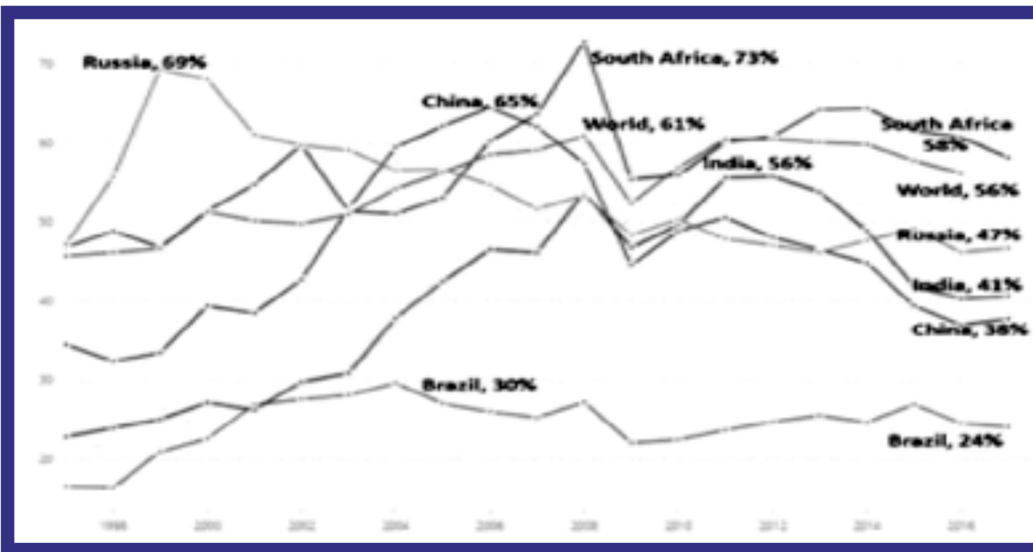
BALTIC DRY INDEX, 2000-19



PRIOR DEGLOBALISATION EPISODES:
WORLD IMPORTS AS A % OF GDP, 1820-2010

Ironically, the recent decline in world trade/GDP ratios was led by the Brazil–Russia–India–China–South Africa group; i.e., the economies that once were considered by Goldman Sachs manager Jim O'Neil to be the 'building BRICs' of 21st-century capitalism (South Africa joined as the S in the acronym in 2011). South Africa was hit hard – as trade fell from 73 percent of GDP in 2007 to 58 percent in 2017, compared to a world trade/GDP decline over that period from 61 percent of GDP to 56 percent. All the BRICS witnessed reduced trade in much greater degrees than the global norm, and three spent parts of 2015–18 in recession: Brazil, Russia and South Africa, with the latter recording a negative GDP again in the first quarter of 2019.

RISE AND FALL OF BRICS AND WORLD TRADE (IMPORTS AND EXPORTS), 1997-2017: HIGH POINT RATIO AND 2017 RATIO, AS PERCENT OF GDP



Source: World Bank

Moreover, the trade that now occurs is increasingly disconnected from what are known as value chains: integrated production systems. McKinsey Global Institute's (2019, 1) latest 'global flows' analysis confirms that "…a smaller share of the goods rolling off the world's assembly lines is now traded across borders. Between 2007 and 2017, exports declined from 28.1 to 22.5% of gross output in goods-producing value chains." The decline in trade intensity is led by China, where gross exports as a share of gross output in goods fell from 18% to 10% from 2007-17 (McKinsey Global Institute 2019, 1).

Yet the rhetoric of BRICS has, throughout, remained collaboratively export-oriented, for Xi Jinping (2015) insisted at the 2015 BRICS summit that they must "boost the centripetal (unifying) force of BRICS nations through cooperation in innovation and production capacity to boost competitiveness." Ironically, this narrative China promotes within the BRICS as one that encourages tighter economic integration has been cannibalistic under conditions of Chinese-driven overaccumulation.

BRICS integration rhetoric can be expected to continue under rising Chinese domination, for as Xi (2017) famously put it in a plenary talk at the World Economic Forum in early 2017, just before Donald Trump took power:

> There was a time when China also had doubts about economic globalisation, and was not sure whether it should join the WTO. But we came to the conclusion that integration into the global economy is a historical trend… Any attempt to cut off the flow of capital, technologies, products, industries and people between economies, and channel the waters in the ocean back into isolated lakes and creeks is simply not possible… We must remain committed to developing global free trade and investment, promote trade and investment liberalisation… We will expand market access for foreign investors, build high-standard pilot free trade zones, strengthen protection of property rights, and level the playing field… China will keep its door wide open and not close it.

This narrative is also superficial: not only has Xi effectively responded in kind to Trump's threatened tariffs on $550 billion of annual exports from China to the US, by imposing countervailing tariffs and engineering a decline in the currency to below RMB 7/$ in August 2019. Well before Trump, Xi proved his rhetoric of liberalisation was not matched by reality, for during six months starting in mid-2015, Beijing imposed stringent exchange controls, stock market circuit breakers and financial regulations to prevent two Chinese stock market collapses from spreading beyond the existing $5 trillion in losses. Moreover, within eighteen months of his Davos speech, Xi had authorized a set of trade restrictions on US products in retaliation for Trump's protectionist tariffs. Channeling toxic waters of geotrategically state based economic expansionist globalisation back into economic purification systems is indeed possible, and necessary, at a time when the world economy's chaotic self-correction raises profound questions about SEZ feasibility.

The only remaining indicators of tightening integrative forces within the world economy are those features of globalised production systems that are less tangible, e.g. flows facilitated by e-commerce. The royalties and trade in services accounts do continue to rise, even while trade/GDP and FDI/GDP (and even cross-border finance/GDP) are falling from their 2007-08 peaks. As two Bloomberg News boosters ask, "(i)s globalisation really slowing? Maybe, if you only look at the trade in physical goods. But that doesn't take into account an explosion of the digital economy. That's important. Increasingly, the digital realm is where the 21st-century economy lives" (Donnan and Leatherby 2019).

Meanwhile in South Africa, defenders of the New Dawn can point to only one economic success story associated with globalisation, namely rising FDI in 2018. As a *CityPress* business journalist put it, "(t)he investments began to increase after President Cyril Ramaphosa's announcement ahead of the Commonwealth Heads of Government Meeting in London in the middle of April last year that he was aiming to entice investors to head to South Africa and so raise $100 billion in new investments over five years" (Brown 2019). Adding to official optimism, a leading financier (from Citadel), Maarten Ackerman, claimed in mid-2019 that there are 'green shoots' in the sickly South African economy in part because "(a)fter bottoming in 2015, FDI struggled to pick up significantly, but 2018 saw the rebound kick in. The importance lies in the magnitude of the rise in FDI. After dipping from 2.3 percent of gross domestic product (GDP) in 2013 to 0.5 percent of in 2015, FDI reached 2.2 percent of GDP in 2018. Accelerating at a faster pace than GDP, FDI is set to give renewed impetus to the South African economy."

However, upon closer examination, the 2019 World Investment Report provides a breakdown:

> FDI flows to Southern Africa recovered to nearly $4.2 billion in 2018, from -$925 million in 2017. FDI flows to South Africa more than doubled to $5.3 billion in 2018, contributing to progress in the Government's campaign to attract $100 billion of FDI by 2023. The surge in inflows was largely due to intracompany loans, but equity inflows also recorded a sizeable increase. In 2018, China-based automaker Beijing Automotive Industry Corporation (BAIC) opened a $750 million plant in the Coega Industrial Development Zone, while automakers BMW (Germany) and Nissan (Japan) expanded their existing facilities in the country. In addition, Mainstream Renewable Energy of Ireland began building a 110 MW wind farm, with a planned investment of about $186 million (Unctad 2019, 38).

Without having further information on the exact nature of the intracompany loans (which are directed from multinational corporate headquarters into branch plants in South Africa, no doubt, due to extremely high interest rates prevailing here, as discussed later) and without going into details on these particular investments, this policy analysis that follows examines whether the hype about new investments is justified, particularly in view of the increasingly overaccumulated global markets and global political-economic turbulence. Future Working Papers will consider the characteristics of both major automotive sector FDI projects – the BAIC (Coega) and Mahindra (Dube Trade Port) semi-knockdown assembly kits (with negligible local inputs) – as well as other major SEZ investments. This paper sets out whether the broader conditions are appropriate for the SEZ strategy, including those relating to influences by Western economies and multilateral agencies controlled by the 'G20' group of powerful economies, including the BRICS bloc. In both G20 (North-South) and BRICS (Global South) multilateral platforms South Africa is the only African member. We consider specific market conditions in what is widely accepted as a new framing of the Global South, China and Africa. two critical economic contexts with which South Africa interrelates. The first area of inquiry is whether global geopolitics and economic conditions provide South African SEZs with a more supportive, or adverse, context.

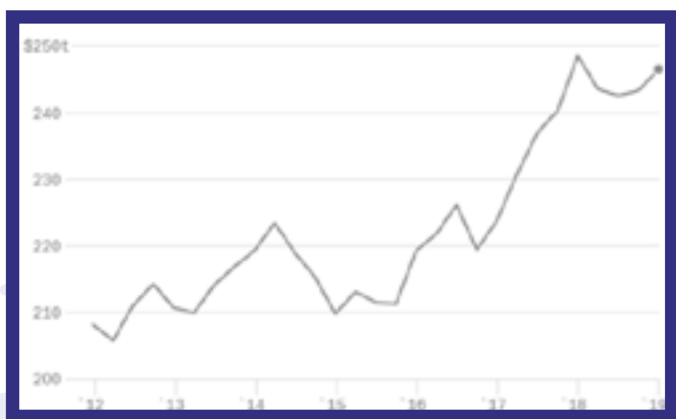
2 GLOBAL ECONOMIC VOLATILITY AND SOCIO-POLITICAL REACTIONS

Trade and currency wars, financial volatility and economic turbulence are now the most important features of the world economy. The elements of a new international financial crisis are in place. Although we do not know when it will break out, it is unavoidable, and its impact on world economy will be as significant as the 1880s-90s, 1930s-40s and more recent 2008-09 meltdowns. Worse, far fewer of the global capacities of the latter period – rapid lowering of interest rates, printing of money to buy up state debt ('Quantitative Easing'), and sufficient fiscal space for bailouts – are available to global crisis managers. And most troubling, many more of the proto-fascistic political characteristics reminiscent of the 1930s are looming, especially in the new contextualisations of the Global South.

The contributing economic factors include:

- sharply increased private debts of corporations;
- speculative bubbles in financial asset prices: stock markets, debt security prices, and in some countries, the real estate sector (at the end of December 2018, a major stock market crash almost broke out in the United States and the contagion effect was immediate, an additional signal that a major crash will have as great a global impact as did 2008-09's);
- the major banks remain extremely fragile, with share values falling in the United States and Europe since the second half of 2018;
- the US real estate market has become fragile again, overall global prices up by 50% since 2012, with levels in excess of those reached just before the crisis that began in 2005-2006;
- Quantitative Easing policies in Europe and their return in the US (as the Federal Reserve eases interest rates in mid-2019 under pressure from President Donald Trump, running for re-election) represent further factors that have the effect of pushing 'risk on' funding into South African securities, but at the expense of further rapid outflows when 'risk off' sentiments dominate.

TOTAL DEBT (CORPORATE, HOUSEHOLD, GOVERNMENT) IN THE WORLD ECONOMY, 2012-19



Source: Institute of International Finance 2019

Economic growth in the most industrialized "old" countries remains weak. Especially in Europe after low growth in 2017, the year 2018 ended with stagnation and in the case of Germany, a fall in industrial production in the 4th quarter. German authorities lowered their growth forecasts for 2019 to 1% (while in 2016-2017 the annual growth rate exceeded 2%). In the euro zone, growth in the third quarter of 2018 was only 0.2%, the lowest in 4 years. In Japan, growth over the year through period April 2018 - March 2019 was around 0.9%, also down on 2017. The US economy is also in a slowdown phase; the IMF forecasts growth of 2.5% in 2019 compared to 2.9% in 2018. In other words, the North continues to suffer sustained stagnation.

Moreover, Chinese growth is still slowing, as discussed below, as are the economies of the other BRICS, except for India, which is growing at just over 7% annually. Russia is experiencing very weak growth, of the order of 1.2% in 2018 and a forecast of 1.3% for 2019. South Africa was in recession in the first half of 2018, and again in 2019 was likely to fall into a technical recession thanks to -3.2% GDP growth rate in the first quarter. Brazil, which experienced a severe recession in 2015-2016, has regained some growth, but it is very low, at just over 1% in 2018, and out of desperation, the Bolsonaro government authorised a large interest rate cut in mid-2019.

Other so-called emerging countries are also suffering profound economic crises, especially Turkey, Argentina and Venezuela. The symptoms include devaluation of the currency, great difficulties in repaying public and private external debt, and rising joblessness; these are also the kinds of conditions that generate political instability, which all three countries have suffered in different ways in recent years.

To complete the set of gloomy indicators, we will consider the African continent in more detail below, where South Africa's comparative advantage rests in exporting automobiles, construction and mining services, banking, cellular phones and other consumer goods through Johannesburg-based retail networks (in one case, Massmart, controlled from the US via Walmart). As discussed later, economic conditions are even worse for imports and FDI profit repatriation in Africa than in the rest of the world, as a result of structural exploitation, over-reliance on primary export orientation, and a new debt crisis.

The above remarks relate to the geographical categories within the world community of nations. When we expand our perspective to look at marginalised and oppressed peoples, along the lines of class and other categories, the picture appears even gloomier as a result of neo-fascistic tendencies in many parts of the world. All over the world, economic austerity and political offensives against workers, marginalised and oppressed peoples continue and worsen.

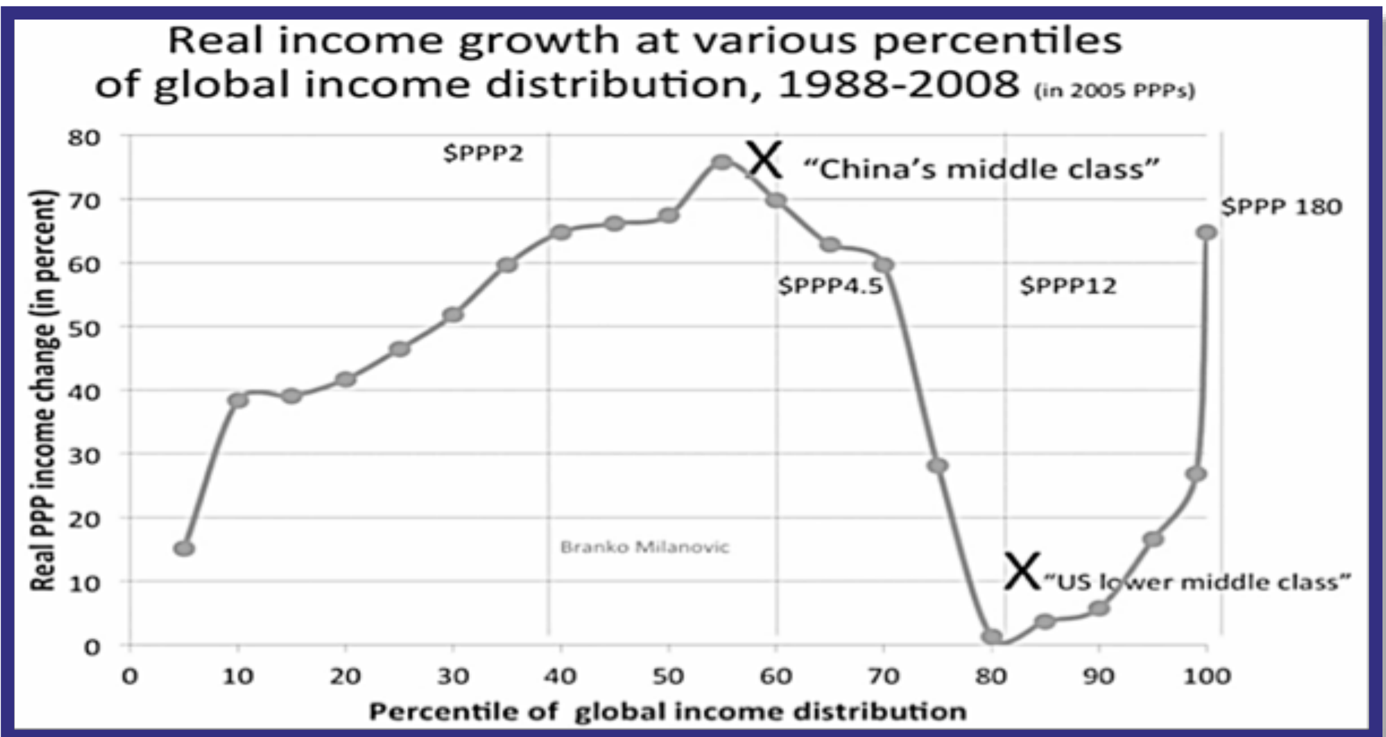
Women are the hardest hit, together with people of colour, indigenous peoples, migrants and young workers. In many instances, women will suffer multiple oppresions if these categorisations are inclusive (for example, young migrant women workers). In the case of all the above groups the offensive is partly a result of the position of these groups in the labour market, for example in historically worse paid jobs. In the case of women and also disabled workers, the impact of the offensive against public services also has a disproportionate impact. Women, who even in times of boom continued to have the major responsibility for caring for children, sick people and elderly people, are adversely affected by cuts in those services, resulting in them often being forced into even more marginal employment or out of the labour market all together. Disabled people who relied on the availability of certain services to work or live independently are similarly impacted.

At the same time there is an ideological offensive against all the groups referred to above and also LGBTIQ people driven by the political and religious rightwing, internationally, forces that are increasingly in the driving seat in many key countries. This offensive operates on different levels:

- repressive policies, including the tightening of immigration rules, attacks on abortion and contraception services, the abuse of indigenous lands for the extraction of extreme fossil fuel or biofuels against the wishes of those communities, etc;
- the emboldening of the extreme right through hate offensives against those groups, including murders in indigenous communities in Brazil by ranchers, official Islamaphobia and anti-semitism, growth of 'militant' mobilisations against abortion clinics, increasing violent attacks against LGB and particularly trans people, and mass shootings;
- diminishing support for the most marginalised sections of working people, in part by an aggrieved working class failing to provide solidarity when feminism, anti-racism, LGBTIQ liberation, immigrant rights are labeled as merely 'identity' politics, especially whent his entails blaming the loss of jobs and services on migrants, women.

Apart from a very minority category of workers whose wages are very high – which makes them prone to allying with big business – almost all categories of waged workers are targeted by economic austerity. These include sectors that had historically succeeded in winning important rights, whether in the industrial sector, in public services, in the financial sector (banking, insurance) and in the commercial sector. *Examples include:*

- the new precariousness of working conditions and contracts;
- the facilitation of dismissals in part through technological change;
- stagnation or a fall in the purchasing power of wage-workers and popular sectors in general;
- increased retirement ages, with stagnation or fall in pensions;
- decreased access to and quality of public services;
- the reduction in the number of employees protected by collective agreements;
- attacks on the rights of union members and the rights to organise and strike;
- increased indebtedness of working class households all over the world (through consumer loans, mortgage debts, student debts, tax debts, microcredit for survival – and women represent more than 80% of the 120 million people who use such high-priced services worldwide – and rising peasant debts not only in countries like India where the phenomenon has taken on dramatic proportions but also in northern countries.



Source: Branko Milanovic

To some extent, e.g. in the case of those who lost well-paying jobs and are resentful of perceived competition, this helps explain the working-class votes for Trump, Brexit or other right-wing causes. There is not only an economic, racial and national offensive underway due to these global trends, but also one based on patriarchal power:

- precarious work, especially the increase in part-time work by women in services (cleaning, catering, personal care);
- destruction of public services such as public transport, childcare and healthcare, resulting in an increased unpaid workload for mothers;
- women's pensions are structurally very low because of the years not worked (because of the need for care for small children at home);
- discriminatory measures in the unemployment system include less income for "non-head of households," who are mostly women;
- sexual harassment of women in many sectors and in precarious employment (male power in hiring women, which were unveiled in #MeToo);
- decline in access to abortion and contraception rights, in the United States at both local (city) and state levels; closure of family planning centres; non-reimbursement for contraception, lack of sexual education in schools; rise of anti-abortion religious groups in both the US and Latin America with the extreme example of Brazil (Poland and Ireland represent contrary forces given victories in reproductive rights mobilisations);
- the rise of fundamentalism in India, Bangladesh, with more frequent public punishment of "adulterous" women or young women with non-approved sexual contact; but also revolt of young women against the extremely harsh family regime, e. g. Saudi Arabia;
- calls for women to have more children in Turkey, Hungary, Poland, for nationalist reasons;
- the Russian Federation's Duma, under pressure from the authorities and the Orthodox Church, decriminalized domestic violence in 2017;
- countries where 40% of serious crimes, primarily against women but also against children, occur in the family environment;
- growth of the sex industry worldwide includes sale of women in Libya, slavery of immigrant women, growing pornography in prostitution, amongst other aspects;
- ongoing inequality of women farmers even in small family farms, as Via Campesina regularly reports;
- violence against women, including femicide, domestic violence, harassment of women on the streets;
- in Italy, under pressure from lobbies of very virulent separated fathers, portrayed as as "masculinists", fundamentalist components of the Catholic Church and a government formed by a coalition between an extreme right-wing party and the Five Stars movement, a project was launched to reform family law to make divorce much more difficult; and
- in Argentina, in August 2018, parliament rejected the bill that legalized abortion.

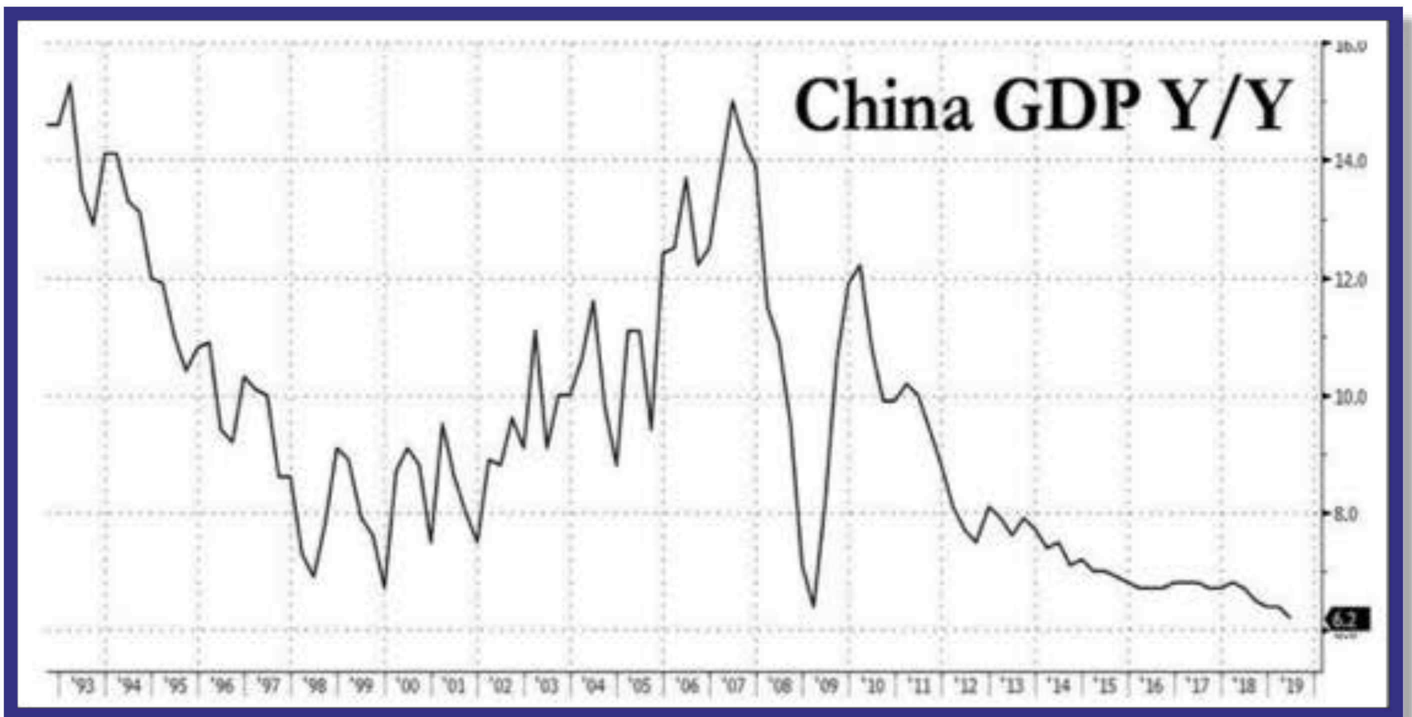
All of these social processes combine home-based patriarchal power and a wider attack on the rights of women and the LGBTIQ movement by an authoritarian state. Globally, authoritarian forms of government are being strengthened without, so far, taking the form of military dictatorships. In spite of winning electoral contests, the new rightwing leaders are curtailing fundamental democratic freedoms. The means of the repressive forces have greatly increased, which allows for an increased intrusion into the lives of individuals and organisations. The use of preventive arrests is spreading, even in the "old" bourgeois democracies. Legislative and judicial powers are being reduced in many places to the benefit of executive power.

There is, of course, political resistance to all these trends. The various forms of attacks on workers' rights, women's rights, the rights of migrants, and on all categories of the oppressed and oppressed fortunately provoke many struggles all over the world. Feminist mobilisations are the most encouraging, but there are many others. Labour struggles are less important than before in a number of countries, but they are progressing in others such as China and Bangladesh. The new forms of organisation or mobilisation that partly respond to the loss of political weight of the organized workers movement are developing and making it possible to build new blocks of the working classes: there are similarities between the mobilisations of the Argentine piqueteros (2001-2003) and those of the Yellow Vests in France (2018-2019), as well as the 2011 movements of the 'Arab Spring' and the Occupiers, or the mobilisations in Greece (2011-15), Turkey (2013), Mexico against the increase in gasoline prices (2017), and those of Nicaragua (2018), Haiti (2018-2019), the Moroccan Rif (2018), Puerto Rico (2019), Hong Kong (2019) and many other places, including 18 African countries, as we see below. There are also regular mobilisations among school children in parts of the world; we are witnessing increasing mobilisation on the issue of climate, the environment and common goods.

The proposed Musina-Makhado SEZ, Limpopo Province

3 THE CHINA FACTOR

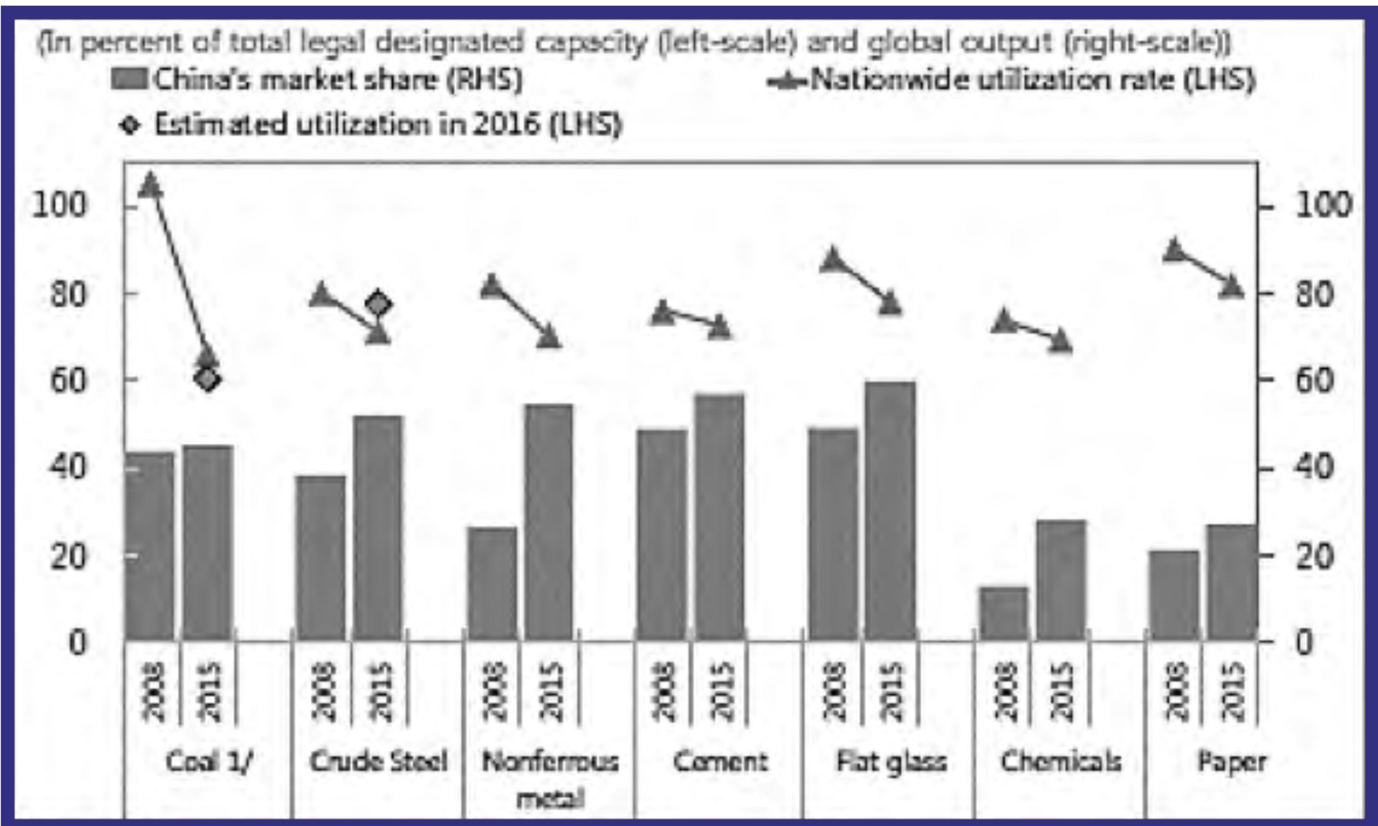
The most crucial factor in whether South African SEZs succeed may well be the complicated role of China. There are three aspects worth discussing: overall demand; Chinese incoming FDI to South African SEZs (such as is driving Coega and Musina-Makhado); and Chinese-financed and built competition via the Belt & Road Initiative, which is spawning massive export-oriented infrastructure in many India Ocean cities, ports and hinterlands.



3.1 CHINESE CAPITALIST CRISIS TENDENCIES

being the largest economy in Purchasing Power Parity terms, the country's GDP is estimated to rise at only around 6% in 2019, the lowest rate in 25 years. In mid-2017, the International Monetary Fund (2017) studied Chinese capital overaccumulation and found that in major sectors – coal, steel and nonferrous metals, cement, chemicals and others where Chinese demand is between 30-60% of the world market – there exists at least one third overcapacity in production. And due to overindebtedness, a financial crisis can break out at any time, causing domestic and global growth to fall and worsening the living conditions of hundreds of millions of Chinese people.

CHINESE OVERACCUMULATION: CAPACITY UNDERUTILISATION IN SECTORS WITH HIGH GLOBAL SHARE



Source: IMF 2017

Still, notwithstanding its own production of raw materials, China's role as the main economic driving force in Africa is unmistakeable, especially for commodity-exporting countries (Sheldon et al, 2017; Gu and Kitano, 2018). China has become Africa's single largest source of FDI, the fastest-rising source of trade, as well as a significant supplier of foreign aid and grant-based infrastructure (Bello-Schuneman et al, 2017; Sheldon et al, 2017; Gu and Kitano, 2018). Environmentally, its mega-projects are already having a major impact, including planning for the largest dam ever conceived – at Inga on the Congo River – and numerous coal-fired power plants, as well as mineral and oil extraction projects.

At a political level, the establishment of the Forum for China-Africa Cooperation (FOCAC) in 2000 cemented closer working relations (Cisse, 2012; Zhang, 2017). Yet, the FOCAC form of South-South cooperation brings with it the potential not only for GDP growth in select enclaves, but also new competition for South Africa's SEZs, exploitation and a worsening of long-standing structural distortions left by colonialism, especially where commodities remain the mainstay of exports and FDI (Zhang, 2017). Moreover, China's political success has also generated military tensions what with the Trump Regime's John Bolton declaring in December 2018 that a new Cold War (with China) has begun in Africa.

Some scholars are nevertheless optimistic about these relations; many are affiliated with the BRICS countries' Think Tanks, affiliated universities and policy institutions, and are still willing to promote South- South collaboration as articulated at the official BRICS Summits (e.g. Sitas 2018, Mosoetsa 2018, Magida 2018, and Gomes and Esteves 2018). Both positive (Shaw, 2015) and more critical foreign policy analysts (Alden and Schoeman 2015, Weiss and Abdenur 2014 and Lipton 2018) emphasise the fragile hegemonic status of the regional hegemons in the BRICS bloc (South Africa in particular). Most acknowledge that the BRICS bloc does not challenge the main aspects of economic liberalism globally, and indeed Xi's (2017) speech to the World Economic Forum in 2017 confirms the desire for further liberalisation. Geopolitically, according to Xing (2016:83-84), Africa is "becoming a battle ground of competition for the emerging powers to counter the dominance of the North and to pursue a putative reorganisation of the world economic and political order."

In this context, the romance of the progressive pragmatism embedded in BRICS/FOCAC state narratives, backed by academics and Think Tank scholars, extends to the ways in which the Chinese form of international development assistance (IDA) will help to stimulate development in Africa as an alternative to the US and Europe. This official pro-China optimism is endorsed by the South African government, Think Tanks, mainstream media (especially the Independent newspaper chain), and social media linked to the ruling African National Congress (ANC). This optimism, played out in increasingly celebratory moments that accompany BRICS and FOCAC meetings of state leaders, underscores official rhetoric of the ostensibly positive, equitable, mutually beneficial relations between China and Africa, including South Africa (Taylor 2016; Thompson and Tsolekile de Wet, 2017; Zhang, 2017).

The main point, is that unlike apartheid-era Pretoria's sub-imperial stance in Africa, Sino-African relationships were founded on anti-colonial legacies. Sheldon et al. (2017) have since revised this optimism with a closer analysis of trade and aid flows. In the same spirit, the BRICS Think Tank offers relatively uncritical narratives (Thompson, 2019), although there is occasional reference to the realities of skewed trade and investment patterns, usually without referring to what often appears as systemic corruption associated with the BRICS. In particular, corruption is likely to remain a feature of infrastructure construction and financing associated with China Development Bank and BRICS New Development Bank lending (Bond, 2016; 2018).

Van der Merwe (2016:22) observes how once this South-South narrative is repeated with sufficient conviction, "global audiences are influenced by mainstream media and experts drawn from industry and the scientific community. Global hegemonic discourse can have a colonising effect on alternative local discourses, forcing out opposing or dissenting voices and ideologies." The government-business-media complex nationally and globally circumscribes, curtails and, in policy rhetoric, overrides the systemic realities of exploitation and resource extractivism that accompany the trade, investment and financial aspects of the collaboration – a critique applicable to both China's and South Africa's roles in Africa (Bond, 2015, 2018; Amisi et al, 2015; Zhang, 2017). Much of this critique boils down to what is happening within Chinese SEZs, and what South Africa can do to achieve their industrialisation success while avoiding these problems.

3.2 CHINESE SEZS AS THE MOTOR OF THE WORLD'S GREATEST-EVER ECONOMIC GROWTH

Zhang (2017) draws on Wallerstein (1997) and Arrighi et al (1994, 2009) to illustrate the increasing expansionism of Chinese capital into South East Asia and Africa – including South Africa's SEZs – is a result not of historic fraternal relations and symbiotic possibilities, but of China's overaccumulation crisis. As Zhang (2017:317) states, "…overly aggressive capital accumulation and expansion in China have led to serious economic and social problems at home: large scale social dislocation of domestic migrant workers, increasing regional income disparity, and severe environmental degradation."

One question is whether the SEZ model that China helped pioneer and popularise will generate similar successes – and problems – if applied in sites like South Africa. Recall that after the death of Mao, market-liberalising reforms transformed the Chinese economy from "a centralised planned economy in which the state played a key role to a capitalist one in which almost all economic activity is market determined … and even though the state continues to play a key role in strategic sectors, the great majority of value added in the all-important manufacturing sector is produced by profit-seeking private firms" (Hart-Landsberg, 2010; Zhang, 2017). The reform programme not only ended central planning but most importantly, shaped the social and economic conditions for the further development of capitalism in China. According to Zhang (2017: 315), "…starting from a semi-peripheral status at the onset of the reform period in the late 1970s, mainland China managed to integrate into the international value chain and division of labour at the right moment alongside tacit acknowledgement of the legitimacy of the US led-liberal world order".

Hung (2009:9) emphasises how the development of capitalism in China gave rise to "an export-driven and private-consumption-repressing growth model". Mao's era was characterised by an inward-looking economic development model in which economic activities were organised to meet domestic needs. In contrast, the capitalist transformation process unleashed by Deng Xiaoping ushered in an economic development model in which all major economic activities were organised and undertaken to meet the needs of external markets, particularly those of the US and EU.

These two features of Chinese capitalism, its outward orientation and limited domestic market, remained crucial in spite of the inward infrastructure investment wave of 2009-12 (Wang, 2016; Zhang, 2017).

Chinese capitalism's outward orientation depended upon the creation and expansion of export industries (Brautigam and Tang, 2011 and 2012; Yejoo, 2014; Zhang, 2017). These were concentrated in the coastal areas of the country, and grew into vital engines of growth and dynamism in the whole economy. Hung (2009:10) observed how in these SEZs, "…the labour-intensive take-off coincided with the onset of an unprecedented expansion of free trade in the 1980s … were it not for the outsourcing of industry from the global North and the latter's mounting appetite for low-cost manufactured imports, China would have found it impossible to export its way to prosperity".

The export sectors were structured to accommodate the outsourcing needs of international capital in search of areas of restored profitability, in the wake of a profound crisis of accumulation in the global North. According to Guerrero (2006) and Brautigam and Tang (2012), China became the favourite destination for FDI because of the attractive benefits it offered at the time. These comprised a friendly business environment that included adjusted tax rates for FDI and conditions guaranteeing profits for transnational corporations. Profits were boosted by low rent, cheap natural resources and lax rules for their exploitation (especially few anti-pollution regulations), low wages for workers, the absence of independent trade unions, and laws prohibiting workers' strike action (Guerrero, 2006:1). Crucial was a totalitarian state, tested in 1989 at Tiananmen Square in Beijing, where a student and worker uprising was brutally crushed.

China's export industries not only played host to cross-border production networks that turned the Chinese economy into a hub for the assembly of final products. In addition, as Hart-Landsberg (2010) and Zhang (2017) emphasise, through these industries, China displaced the other East Asian economies in global trade. Zhang (2017: 316) states "…during the 1980s and 1990s China has been quickly climbing up the East Asian regional production and value chains and has shown signs of replacing Japan and South Korea in a set of key manufacturing sectors as the leading regional powerhouse." The role of the other Asian economies in the global chain has transformed from exporters in their own right into suppliers of parts for the final assembly located in China. In this way, Chinese capitalism has conditioned and set the terms for the insertion of East Asian economies into global circuits of capital accumulation. As China shapes the economies of Africa, including South Africa, much the same can be expected; aside from Africa's deepened reliance upon export of primary commodities during the 2000s-10s, as discussed in the next section, Ethiopia's shift towards a 'sweatshop' mode of industrialisation is an example of Chinese-style accumulation.

Another significant feature of Chinese capitalism, which is a reason for the still-limited size of China's domestic market, is the economy's heavy reliance on cheap labour for its functional dynamics. The low cost of Chinese labour was the basis of not only the growth of the export sectors but also the migration of international capital from areas of low profitability in the global North to areas of high profitability in China. The low cost of labour was also the key reason why China took the place of other East Asian economies as a destination for outsourced industrial projects from the global North. Hung (2009:12) points out that contrary to widespread beliefs that China's cheap labour was a product of its currency devaluation, the country's ability to supply endless pools of cheap labour was a result of a range of finance and fiscal policies of the Chinese government. The powerful repressive apparatus of the state ensured that the migrant worker system was similar to the one that corporations enjoyed during South African apartheid: systematic super-exploitation through which women in the rural areas provided subsidies in the social reproduction of labour power.

Although useful for promoting SEZs, these policies bankrupted the countryside by transference of wealth to the urban areas, guaranteeing a cycle of poverty and generating a continuous exodus from the rural areas. The crucial years of the development of the urban industrial sectors were navigated through the sustained transference of wealth from the countryside using measures that amount to expropriation. The impoverishment of the rural areas, coupled with low wages in the urban industrial sectors, accounted for the low purchasing power and thus weak consumption capacity within the Chinese populations, which in turn accounted for the limited size of the domestic market.

The basic characteristics of Chinese capitalism include its seemingly endless (until the early 2000s) supply of cheap labour and ability to absorb outsourced capital from elsewhere in the world. Another basic characteristic is the Chinese economy's externalisation of environmental costs, both local – creating cities with extreme air pollution – and global, due to the extremely rapid increase in greenhouse gas emissions. The profits, growth rates, and Keynesian infrastructure investments have elevated the economic prestige of China, which is now the centre of gravity for global capital accumulation (Zhang, 2017).

China's resulting appetite for raw materials and component parts brought about a mutation in the global circuits of commodities from Africa and elsewhere in the South, with China becoming the single biggest destination of such primary resources for their assembly and processing into final products. On the back of this, China has surpassed both the US and EU as the single largest trading partner on the African continent, a characteristic of China-Africa economic relations that is a central focus in official pronouncements, and in the FOCAC 2018-2021 Declaration (FOCAC, 2018).

Hung (2009) and Hart-Landsberg (2010) argue that, because of Chinas export-driven model of development and failure to develop a domestic market as an engine of growth and dynamism, Chinese capitalism will remain "dependent on the consumer markets of the global North for its growth and the financial markets of the US as the store of value for its savings." In other words, without the consumer markets of the global North, in particular those of the EU and the US, the long-term viability of Chinese capitalism is in serious doubt. Hung (2009) concludes that to bring this dependent relationship to an end, China has to transform the foundations of the export-oriented growth model into one driven by domestic consumption through among other interventions, large-scale redistribution of income to the rural-agricultural sector. In its turn, such a restructuring requires breaking the power of the coastal urban elites. Their vested interests are in the coastal export sector, which constitutes the central pillar of the export-oriented growth model.

Arrighi (1994 and 2009) and Wallerstein (1997) focus more on the dangers of capital overaccumulation within China in relation to the long-term stability of state capitalism. China's ghost cities, mainly built during the 2009-12 period of inward infrastructural expansion, are an example. According to Yin et al (2017), "the 'ghost city' emerges from massive (over) investment in the urban built environment," a result of poor urban spatial planning and infrastructural over-investment. Other symptoms are inconvenient transportation options, long commute times to more popular urban areas and consequently, very high vacancy rates (Yin et al, 2017:1).

The September 2018 Forum on China-Africa Cooperation

3.3 GEOPOLITICAL IMPLICATIONS OF CHINA'S SEZ MODEL

Even today, the persistence of the export-driven model is tied to the enduring dominance of those sections of the Chinese ruling classes whose material wealth owes its origins and continued existence to the export sectors located in the coastal areas. This fraction of the Chinese ruling class, which Hung (2009:13) terms the "powerful urban-industrial elite", over time have expanded financial resources, and political influence, thereby shaping central government policy in its favour. China's rapid economic expansion has witnessed an extension of global capitalism with Beijing reinforcing rather than undermining the institutions of imperialism (even if there are occasional disputes such as the South China Sea territorial dispute involving the US Navy and neighbouring countries).

As a result, rather than challenging US dominance, China and the other BRICS shore up global patterns of financial and production power especially through their roles in the International Monetary Fund, World Bank, World Trade Organisation and even the United Nations Framework Convention on Climate Change whose provisions are far more advantageous to the North than to Africa. Hung (2009) contends that reversing the export-driven model of capitalist development is a necessary condition for China's independence from US malevolence, as indicated in the 2018-19 trade and currency disputes.

Until Trump came to power, Ferguson and Schularick (2007:288) observed that the relationship between China and the US was characterised by two central features: first, the entry of China's enormous labour force gave the single biggest boost to the returns on capital; and second, China's massive external surpluses were channelled through government hands to the US fixed income market, with the effect of lowering the global risk-free interest rate just when the returns on capital rose. In other words, there evolved a symbiotic relationship between China and the US in which the former, through its abundance of cheap labour and massive capital surplus, guaranteed a supply of cheap imports and cheap credit to the latter. China's accumulation of US bonds (making credit cheap and accessible) in turn sustains US consumption of China's manufactured exports.

China has not only overtaken the East Asian economies as the principal supplier of cheap credit and low-cost imports to the US, it has also transformed their role and place in the chain of relationships to world capitalism (Brautigam and Tang, 2011; Zhang, 2017). This transformation has had an impact on patterns of trade and corporate activity in the whole region. Most companies from the region relocated to the Chinese special economic zones to take advantage of cheap labour and other favourable conditions of capital accumulation. As mentioned, these economies increasingly became suppliers of parts and components to the Chinese export sector and thus resulting in a shift in their overall export activity away from the North towards China (Bello, 2006; Hart-Landsberg, 2010). Consequently, the relationship of these economies with the markets of the US and EU were henceforth mediated through the Chinese economy. A division of labour emerged in which increasingly the other economies in the East Asian region reduced their assembling activities and became suppliers of the insatiable appetite of the Chinese export sectors for parts and components.

This responsibility of servicing the needs of the export industries in turn made China the single biggest supplier to the US and EU markets. China became a medium through which the East Asian economies interacted with the markets of the US and EU, in particular the US. China thus built up a large trade surplus with the US, creating a dependence on western consumer markets that beleaguers the Chinese economy to this day (Zhang, 2017). During this period the South East Asian region, led by China, moved away from the flying geese model centred on Japan. As Zhang (2017: 316) states, "… during the 1980s and 1990s China has been quickly climbing up the East Asian regional and value chains and has shown signs of replacing Japan and South Korea in a set of key manufacturing sectors as the leading regional economic powerhouse". At the same time, during this period of global economic integration, China and the region as a whole became more vulnerable to the vicissitudes of western markets.

Hung's (2009) and Zhang's (2017) response to these developments was that "…the limitations of the Chinese development model – overdependence on consumption in the West and lethargic growth in the domestic market – inevitably translate into vulnerabilities for its Asian partners, leaving these economies exposed to any major contraction of consumption demand in the global North". For that reason, the rise of China and the specific dynamics of its SEZ relations to the global economy represent more of a threat than an opportunity for the region to move away from dependence on Western markets. Hung (2009) and Zhang (2017), following Arrighi (2009), argue that reforming the Chinese model of capitalist development is not only necessary for the sustainability of its economic growth, but also for the collective future of East Asia as an integrated economic bloc.

Perhaps most importantly, thanks to the reliance on SEZ-grounded accumulation, China's geostrategic positioning within the world economy leaves no doubt about what awaits the countries on the African continent and the rest of the South. For as long as Chinese capitalism continues to be dependent on the markets of the global North, the African continent and rest of the South are destined to service the needs of the export model, whose characteristic occupation is to transfer the surplus from the South to North. This reality is due to the way capitalism developed in China (Arrighi, 1994, 2009; Zhang, 2017).

As the economy that anchors capital accumulation on a world scale and also the single biggest consumer of raw materials from the African continent, China will find it difficult to escape culpability in the dominant processes of extracting and transferring wealth from the South to the North (Amisi et al, 2015). The declines in the volume of trade from African countries flowing to traditional trading partners such as the US and EU have been accompanied by an increase in the volume of resources heading towards China. In the context of the export-oriented Chinese model of capitalism, the flow of African resources to the Chinese economy represents an oblique way of funnelling these resources to the centres of global power, the US in particular (Zhang, 2017).

By replacing the US and the EU with China as the main trading partner, African leaders are reorganising their relationship with the world economy. Due to China's relative failure to develop a viable, sustainable domestic market, in part due to its over-reliance upon SEZs, these relations are likely to perpetuate the vulnerabilities of the African continent to Western economic power (Zhang 2017).

Artistic impression of the Musina EMSEZ

4 AFRICA'S RENEWED CRISES OF UNBALANCED TRADE, DISINVESTMENT, DEBT

In addition to China, Africa is meant to be one of the most critical markets for South Africa's SEZs, and attracting other investment, trade and finance to the continent was one justification for entering the BRICS bloc, according to Jacob Zuma and his colleagues. In 2013, for example, deputy foreign minister Marius Fransman (2013) argued is that "South Africa presents a gateway for investment on the continent, and over the next 10 years the African continent will need $480 billion for infrastructure development… Our presence in BRICS would necessitate us to push for Africa's integration into world trade."

4.1 AFRICA'S RENEWED ECONOMIC CRISIS

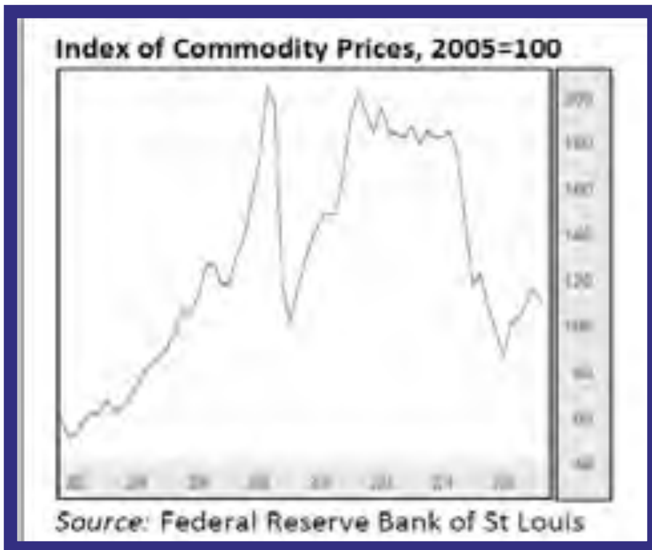
The drive to make Africa more competitive appeared effective during the 2002-11 commodity super-cycle, but since its peak in 2011 and crash in 2014-15, commodity export values ebbed along with aid, foreign investment and remittances. Some of the largest economies in Africa – South Africa, Nigeria, Egypt and Angola – fared very badly in this process, but the fate of Africa's 32 "Least Developed Countries" (LDCs) is even more revealing, especially in large countries: Angola, DRC, Ethiopia, Senegal, Sudan and Tanzania. At the end of the commodity price rise, African LDCs' terms of trade plateaued in 2011-14 before suffering a substantial drop. Export revenue from these countries peaked at levels 360 percent higher than in 2000. But imports continued rising to 570 percent of the 2000 level by 2014.

As a result, Sub-Saharan Africa's current account balance – incorporating both the trade deficit and outflows of interest, profits and dividends – fell to negative $55 billion per annum. Incoming flows of overseas development aid (ODA), remittances from workers and new foreign direct investment (FDI) declined in absolute and relative terms. African LDCs were hardest hit of all poor countries in these categories (Unctad 2018, 2). All LDCs witnessed a decline in export revenues, from $255 billion in 2014 to $190 billion in 2016 due to "weak global demand and low commodity prices." Moreover there was a 13 percent decline in FDI inflows to LDCs from 2015-16, and total North-South ODA disbursement of just $43 billion in 2016, far below the UN Sustainable Development Goal target range of $75-96 billion.

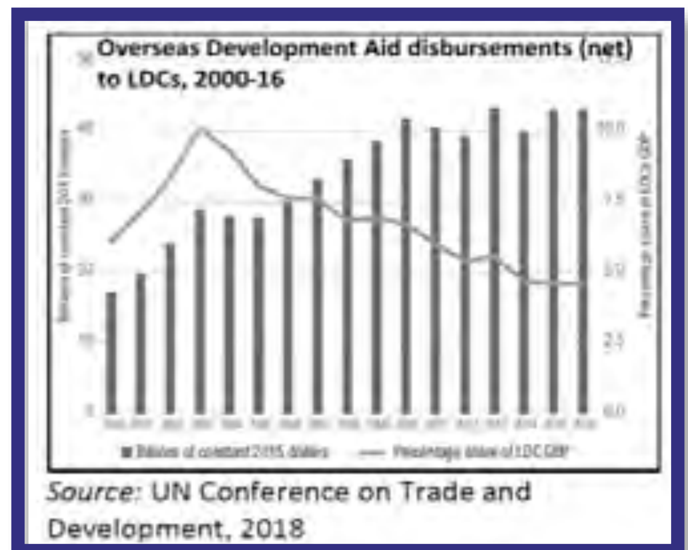
Adding to Africa's 31 poorest countries the other 17 in Sub-Saharan Africa reveals even gloomier estimates of looting. The London-based campaigning NGO Global Justice Now and its allies estimate that exploitative economic processes – not including the $100+ billion in resource depletion – were responsible in 2015 for a net outflow of $41.3 billion. According to their report, "African countries received $161.6 billion in 2015 – mainly in loans, personal remittances and aid in the form of grants" (Curtis 2017). Against that, outflows that year amounted to $203 billion, including $68 billion in illicit financial flows (TNCs "deliberately misreporting the value of their imports or exports to reduce tax"), $32 billion in repatriation of profits and dividends (licit financial outflows), and $18 billion in debt servicing. Curtis (2017) also recommends adding other costs imposed on Africa: $37 billion in damages related to climate change; and $29 billion in illegal logging, fishing and trading in wildlife and plants. The net negative $41 billion in 2015 would have been much larger were it not for the dramatic commodity price decline in 2014-15.

The 2014-15 crash decimated not just Africans, but also many foreign investors in Africa. Platinum mining house Lonmin's London listing had peaked at a value of $28.6 billion in 2007 and then fell 99.4 percent to a near-bankruptcy level of $172 million in late 2015, before a fire-sale to a Johannesburg firm at the end of 2017 for $383 million. Anglo American's share value fell 93.6 percent from a 2008 peak to 2016 trough, and the world's largest commodity trader, Glencore, fell 86 percent from a 2011 high to its 2016 low (Bond 2017).

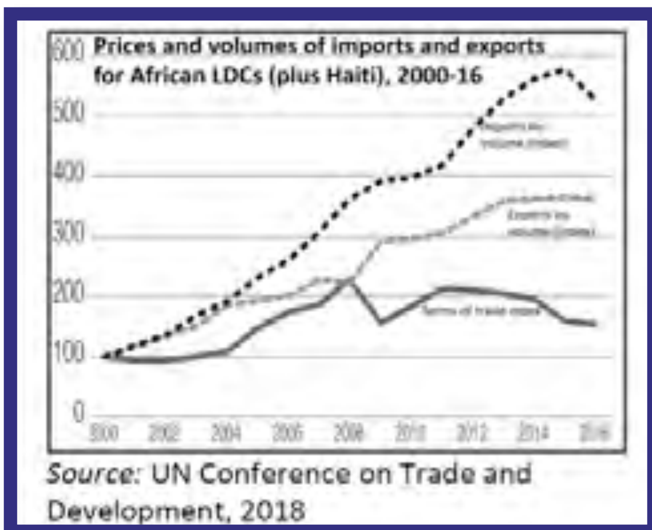
Africa's LDCs in 2018 are Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, DRC, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Togo, Uganda, United Republic of Tanzania and Zambia.



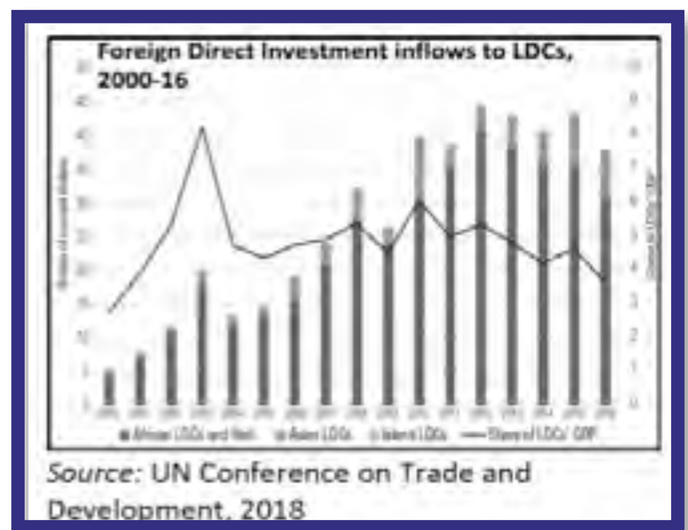
Source: Federal Reserve Bank of St Louis



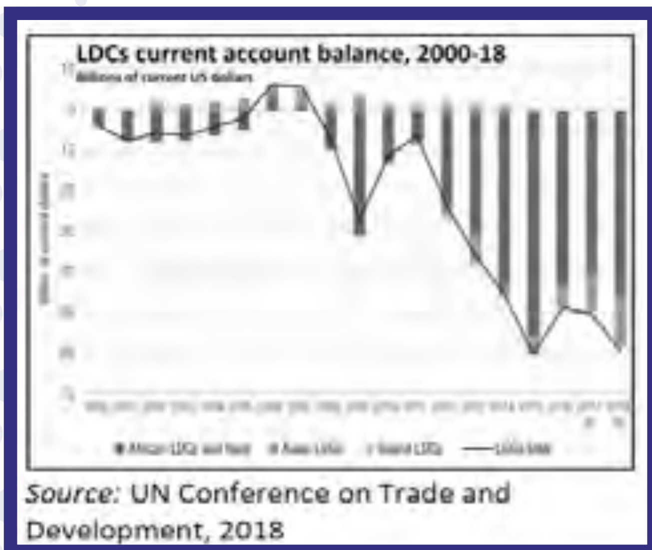
Source: UN Conference on Trade and Development, 2018



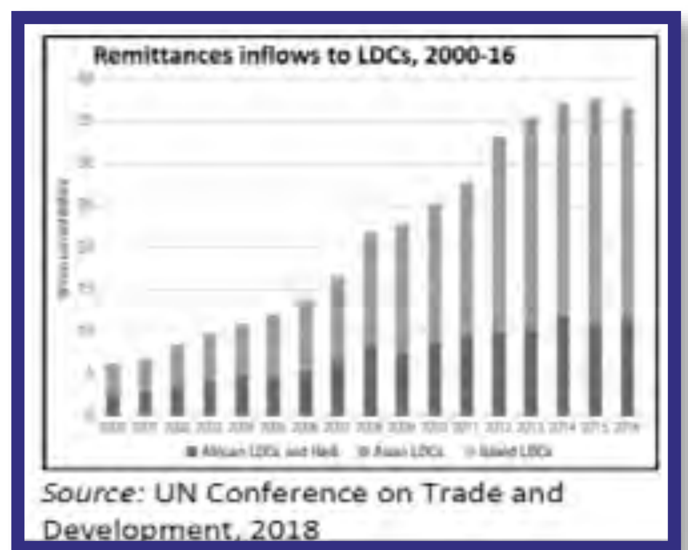
Source: UN Conference on Trade and Development, 2018



Source: UN Conference on Trade and Development, 2018



Source: UN Conference on Trade and Development, 2018



Source: UN Conference on Trade and Development, 2018

From mid-2016, commodity prices then rose slightly, but this made little difference to macro-economic balances by early 2018, when the ordinarily upbeat African Economic Outlook issued by the African Development Bank (2018) (AfDB) admitted that current account ratios "are not sufficiently robust; dollar interest rates are expected to edge up, bidding up the cost of capital; and external debt ratios have begun to rise across the region." To repay debt and TNC dividend and profit outflows requires a steady inflow of hard-currency investments, including FDI, portfolio investment, remittances, official development assistance, and external debt. The AfDB (2018) continued,

> Unsustainable current account deficits are an indicator of a poor state of the economy. They discourage foreign investors from holding assets denominated in African currencies. Large current account deficits also increase the probability of a currency crisis. They lead to the accumulation of foreign debt, which has to be repaid at some point, triggering expectations by domestic investors of higher taxes to service and repay the debt.

Sub-Saharan Africa's external debt was in the $170–210 billion range from 1995 to 2005, at which point the Highly Indebted Poor Countries initiative returned the high stock of debt to more sustainable levels by writing off unrepayable debt, albeit with sometimes extreme conditionality. However, the IMF compelled Africa's lowest income countries to increase their rate of debt payment in the period immediately after the 2006 debt relief. Then came a slew of Chinese loans worth at minimum $86 billion from 2000-15; a third of these were collateralized by commodities. By 2015 Sub Saharan African debt had reached nearly $400 billion. Adding North Africa, the Economist Intelligence Unit counts $560 billion in foreign debt for the continent as a whole, up from $240 billion in 2006.

In addition to Beijing's credits, there were also numerous Eurobonds subscribed by private investors that represented a substantial share (percent) of the total public debt stock in some countries: Gabon (48), Namibia (32), Côte d'Ivoire (26), Zambia (24), Ghana (16), Senegal (15), and Rwanda (13). Africa's oil-based economies witnessed an increase in debt servicing from an average of 8 percent of revenues in 2013 to 57 percent in 2016, led by Nigeria (66 percent) and Angola (60 percent). The continent's most relatively indebted countries to foreign lenders are Mozambique (79 percent external debt to GDP ratio), Zimbabwe (77 percent), Mauritania (76 percent), Djibouti (71 percent), Namibia (64 percent), The Gambia (61 percent), Tunisia (56 percent) and South Africa (49 percent). Not including Mauritius – due to its complicated status as a tax haven – the highest level of African foreign debt is owed by South Africa: $163 billion in late 2017 (up from $25 billion in 1994) followed by Egypt ($80 billion), Sudan ($45 billion) and Angola ($45 billion).

By 2014, the danger of such high foreign debt was already a source of concern to The Economist (2014):

The continent has been deep in debt before, and is in danger of a rerun… This time is different – and could be worse. Africa used to borrow from official lenders: governments, the World Bank, the African Development Bank and the IMF. Today most of its borrowing is from private sources. Government loans and "assistance" are out of fashion. Instead it is private investors that are betting on Africa's future ability to pay, with bond funds, private-equity and individual investors (including African ones) buying government debt… If governments get into trouble and need to reschedule their debts or borrow more even while they pay less, official lenders typically oblige. Private lenders are less forgiving.

Though more than 70 percent of Africa's foreign debt is privately sourced, one public lender – Beijing – may also be unforgiving, if the warnings of ideologically-conservative critics are to be taken seriously. From Texas, the private intelligence agency Stratfor (2018) issued a warning about Chinese financial geopolitics. Given that African state debt "has increased markedly since the 2008 financial crisis… widespread default could create opportunities for outside powers that covet the region's natural resources." As Stratfor notes,

China has used a form of financing that functions like a bartering system: In return for investment capital and infrastructure development projects, some sub-Saharan African countries grant China resource concessions. (Such was the case with the Sicomines copper project in the Democratic Republic of Congo and in various oil projects in Angola.) The arrangements differ. Sometimes Chinese entities take an ownership stake in the newly constructed infrastructure project. Sometimes loans are secured against resources as a form of collateral. Sometimes debt service is paid in resources instead of money.

> But just because a loan is backed with an asset – in this case, commodities – doesn't mean loans can't turn sour if the borrower struggles to extract or sell enough of its natural resource to service the debt. These terms can also leave the borrowing country with little left over from their commodity production to generate their own revenue. Angola and Congo have both encountered this problem.
>
> Africa is a minor player in geopolitics. Unfortunate as it may sound, its relevance stems from how stronger countries interact with it and manipulate it. So while its current indebtedness may not shape the course of international affairs directly, it may, in fact, benefit China. Defaulting on their debt would cause foreign investment to dry up. China's willingness to accept repayment in commodities would leave it as one of the few remaining options for countries struggling to build infrastructure. Beijing could, therefore, drive as hard a bargain as it wanted. China will continue to mine Africa for its resource needs. The only thing that will constrain its behavior in that regard is its own capital needs.

One key testing ground for whether this strategy will be useful for China is the Belt and Road Initiative (BRI), not only because of enthusiasm that a renewed construction boom similar to the 2009-13 urban and transport construction boom, will revive demand for raw materials. There is also the matter of rising debt levels in the recipient countries, such as Kenya where the Mombasa-Nairobi rail line financed and built by the Chinese has already added a crippling debt load. Likewise, the BRI is extremely unpopular with Indian elites, who view China's Kashmir rail, pipeline and road corridor through Pakistan on land Indians believe is theirs. Critiques of Chinese "creditor imperialism" made by Brahma Chellaney (2017) of the Delhi-based Center for Policy Research are hard hitting:

> Just as European imperial powers employed gunboat diplomacy, China is using sovereign debt to bend other states to its will… As [the bankrupt Sri Lankan port of] Hambantota shows, China is now establishing its own Hong Kong-style neo-colonial arrangements. Like the opium the British exported to China, the easy loans China offers are addictive. And, because China chooses its projects according to their long-term strategic value, they may yield short-term returns that are insufficient for countries to repay their debts… China can force borrowers to swap debt for equity, thereby expanding China's global footprint by trapping a growing number of countries in debt servitude… Kenya's crushing debt to China now threatens to turn its busy port of Mombasa – the gateway to East Africa – into another Hambantota.

Like the 1980s when Western loans were the source of a debt crisis catalysed by a massive US interest rate increase, this debt allows its holders to gain substantial power. But like the 1980s, social tensions will also rise, as discussed below. As Stratfor (2018) warns, "A debt crisis would have social implications that would make doing business extremely difficult, limiting the upside to China and decreasing the likelihood of other powers opting to compete with it."

Artistic impression of the Musina EMSEZ

4.2 THE RISE OF PROTEST AS AN ECONOMIC PHENOMENON

The 'social implications' are already very visible across Africa, dating to the era of 'IMF Riots' in the 1980s-90s, and perhaps starting most forcefully in the recent era in Tunisia, in December 2010, sparked by Mohamed Bouazizi's self-immolation. Tension associated with neoliberal poilcies including the cutting of corporate tax rates and application of a more 'broadly-based' Value Added Tax, both compelled by the IMF that year, as its managing director praised the Ben Ali regime as an ideal type for the Third World (Bond 2011).

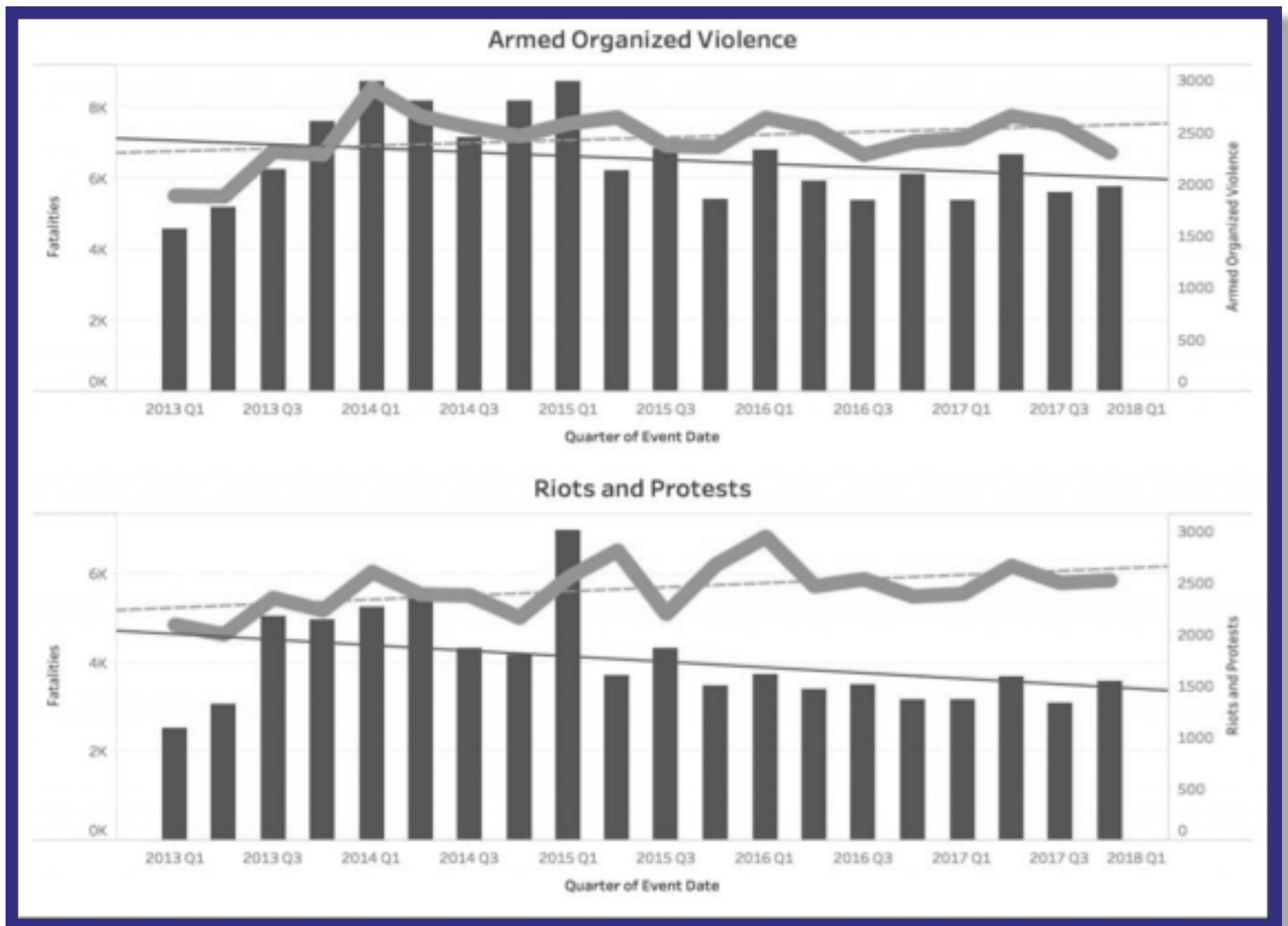
These policies, coming just as the commodity super-cycle hit its peak, contributed to Tunisia's explosion. This was an early part of the process which can be considered 'Africans Uprising' against the 'Africa Rising' meme and all that it represented in the 2002-14 era and after. The protests rose in spite of durable military battles underway, as well as extreme forms of violence against civilians, such as in the eastern Democratci Republic of the Congo (DRC) elsewhere.

AFRICA'S BATTLES, REPRESSION AND PROTESTS, 2009-2018

Source: Armed Conflict Location and Event Data (ACLED) (2019).

To measure such uprisings, the University of Sussex 'Armed Conflict Location and Event Data' (ACLED) project has gathered media-based data. The project provides temporally- and spatially-sensitive statistics and maps that reveal where both unrest and repression have occurred, over a two decade-long period. There were, in at least a third of Africa's countries, moments (or series of moments) where at least once, the peak of either category – top-down repression or bottom-up resistance – occurred more than 50 times within a single month. Alphabetically, the 18 countries are Algeria, Burundi, Central African Republic, Cote d'Ivoire, Democratic Republic of the Congo, Egypt, Ethiopia, Kenya, Libya, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tunisia, Uganda and Zimbabwe. Indeed eight of them witnessed extremely high social-dissent peaks in the period 1998-2018, in which at least 100 riots or protests occurred in the course of a single month: Egypt: 250 in early 2013; Burundi: 180 in mid-2015; Tunisia: 175 in early 2011; South Africa: 170 in early 2017; Ethiopia: 160 in early 2016; Kenya: 140 in late 2017; Nigeria: 110 in early 2015; and Algeria: 100 in early 2011 (Bond 2019).

AFRICA'S INCIDENTS OF FATALITIES, REPRESSION AND PROTEST, 2013-18



Source: ACLED (2019).

Tunisia, Egypt and other countries generated such intense revolutionary bursts of energy because their independent labour movements were also ascendant. Notwithstanding extreme unevenness across and within the continent's trade unions, Africa is ripe for a renewed focus on class struggle. The socio-economic conditions continue to deteriorate, the World Economic Forum's (WEF's) annual Global Competitiveness Reports – an annual survey of 14 000 business executives in 138 countries – have ranked the continent's workers as the least cooperative on earth. In 2016, workforces from South Africa (the world's most militant every year since 2012). Chad, Tunisia, Liberia, Mozambique, Morocco, Lesotho, Ethiopia, Tanzania, Algeria and Burundi were in the top 25 most confrontational proletariats (WEF, 2016) (while the most cooperative workers are in Norway, Switzerland, Singapore, Denmark and Sweden).

This is the context on the continent, mixing a new round of economic crisis and much greater political turbulence which together, leaves us to doubt Africa's potential as a market for South African SEZs. A great deal more could be said about the high level of popular resentment against South African firms and products on the continent, in part because of their very bad behavior (Bond 2018) as well as because of the implications of South African working class xenophobia. In 2015, for example, South African corporate branch offices (as well as SA embassies) were targeted for protests in several countries on the continent. There is always hype about how South Africa is a genuine contributor to Africa's development, but the many ways in which South Africa helps to underdevelop the continent reflects the extreme inequalities between those exercising power within the centre of the world economy and their African allies in Johannesburg and Cape Town, on the one hand, and the rest of Africa on the other. Just as severe conditions of inequality exist within South Africa, conditions which are the result of neoliberal public policy, suggesting that a different approach is vital.

LABOUR MILITANCY OF WORKING CLASSES, MEASURED BY REPUTATION AMONG CORPORATIONS

Cooperation in labor-employer relations

In your country, how do you characterize labor-employer relations?
[1 = generally confrontational; 7 = generally cooperative]

Rank	Country	Score
1	Norway	6.2
2	Switzerland	6.2
3	Singapore	6.2
4	Denmark	6.1
5	Sweden	6.1
6	Netherlands	5.9
7	Japan	5.8
8	Austria	5.7
9	New Zealand	5.7
10	United Arab Emirates	5.7
11	Luxembourg	5.6
12	Iceland	5.6
13	Qatar	5.5
14	Hong Kong SAR	5.5
15	United Kingdom	5.4
16	Taiwan, China	5.4
17	Malaysia	5.3
18	Rwanda	5.3
19	Ireland	5.3
20	Canada	5.2
21	Bahrain	5.2
22	Finland	5.2
23	Estonia	5.2
24	Costa Rica	5.2
25	Germany	5.1
26	Bhutan	5.1
27	Philippines	5.1
28	Guatemala	5.1
29	Albania	5.1
30	United States	5.0
31	Israel	5.0
32	Malta	4.9
33	Saudi Arabia	4.9
34	Latvia	4.8
35	Mauritius	4.8
36	Thailand	4.8
37	Belgium	4.8
38	Honduras	4.8
39	Armenia	4.7
40	Panama	4.7
41	Jordan	4.7
42	Brunei Darussalam	4.7
43	Tajikistan	4.7
44	Czech Republic	4.7
45	Indonesia	4.7
46	Lao PDR	4.6
47	China	4.6
48	Colombia	4.6
49	Uganda	4.6
50	Azerbaijan	4.6
51	Portugal	4.6
52	Mexico	4.6
53	Sri Lanka	4.6
54	Australia	4.6
55	Oman	4.5
56	Kuwait	4.5
57	Chile	4.5
58	Côte d'Ivoire	4.5
59	Ghana	4.5
60	Kazakhstan	4.5
61	Lithuania	4.5
62	Namibia	4.4
63	Mauritania	4.4
64	Ecuador	4.4
65	Cyprus	4.4
66	Gambia, The	4.4
67	India	4.4
68	Mongolia	4.4
69	Botswana	4.4
70	Cambodia	4.4
71	Nicaragua	4.4
72	Dominican Republic	4.4
73	Zambia	4.3
74	Slovenia	4.3
75	Peru	4.3
76	Barbados	4.3
77	Senegal	4.3
78	Paraguay	4.3
79	Vietnam	4.3
80	Spain	4.3
81	Macedonia, FYR	4.3
82	Hungary	4.3
83	Jamaica	4.3
84	Mali	4.2
85	Lebanon	4.2
86	Nigeria	4.2
87	Slovak Republic	4.2
88	Congo, Democratic Rep.	4.2
89	Georgia	4.2
90	Ukraine	4.2
91	Bangladesh	4.2
92	Bulgaria	4.2
93	Poland	4.2
94	Madagascar	4.2
95	Kenya	4.2
96	Egypt	4.1
97	Moldova	4.1
98	Gabon	4.1
99	Kyrgyz Republic	4.1
100	Cameroon	4.1
101	Benin	4.1
102	Malawi	4.1
103	Russian Federation	4.1
104	Sierra Leone	4.1
105	Greece	4.0
106	Romania	4.0
107	Cape Verde	4.0
108	Zimbabwe	4.0
109	El Salvador	4.0
110	France	3.9
111	Italy	3.9
112	Montenegro	3.9
113	Yemen	3.9
114	Burundi	3.8
115	Algeria	3.8
116	Tanzania	3.8
117	Ethiopia	3.8
118	Brazil	3.8
119	Turkey	3.8
120	Lesotho	3.7
121	Argentina	3.7
122	Morocco	3.7
123	Mozambique	3.7
124	Iran, Islamic Rep.	3.7
125	Bosnia and Herzegovina	3.7
126	Serbia	3.7
127	Liberia	3.7
128	Tunisia	3.6
129	Venezuela	3.6
130	Chad	3.5
131	Nepal	3.5
132	Croatia	3.5
133	Bolivia	3.5
134	Pakistan	3.4
135	Korea, Rep.	3.4
136	Uruguay	3.4
137	Trinidad and Tobago	3.2
138	South Africa	2.5

5 LOCAL SOUTH AFRICAN ECONOMIC CONDITIONS

As the world economy spirals into crisis stage, with fully-fledged deglobalisation and a new round of financial turmoil, the South African context is just as foreboding. Corporations and workers alike are ill prepared for the period ahead, especially if it entails another export-led drive through SEZs, particularly if the 4th Industrial Revolution plays a major role in maintaining links to otherwise-fraying global value chains. Historically, the main era in which worsening vulnerability to the world economy was witnessed began in the 1980s, once sanctions hit hard and the government of PW Botha defaulted on its $13 billion in foreign debt, in 1985. But after a re-engagement with global capital once sanctions were lifted, South Africa spent the 1990s deindustrialising during a decade of increasing volatility in the world economy. At that point, notwithstanding Nelson Mandela's strong leadership in consolidating democracy, at least ten fateful decisions made South Africa even more subject to the volatility in world trade, finance and direct investment.

This history is worth reviewing, because in subsequent pages, the South African economy's underlying problem of overaccumulated capital can then be put in political context. The overaccumulation drive on occasion resulted in severe crises, but with different forms. A falling corporate profit rate from levels amongst the world's highest in the 1970s resulted in pressure on the economy that helped end apartheid, but under conditions of imposed (elite-pacted) neoliberal policy. Another very high profit ranking in the 2000s coincident with high commodity prices, but then led to financialisation (i.e., higher relative debt and share-portfolio ratios, as well as illicit financial flows), worsening uneven spatial development (within cities and between rural and urban livelihoods), and an amplification of environmentally-damaging minerals-extraction systems. To place renewed emphasis on SEZs as a means of solving the resulting socio-economic problems is unreasonably ambitious, this paper concludes.

Post-apartheid neoliberal economic policies accommodated, accentuated and displaced the crisis conditions noted above. Although great rhetorical effort is made to address social distress through fiscal policy (e.g. social grants and education), the reality is that policies in the monetary, financial and international spheres are amplifiers of inequality, and therefore make the potential for South African producers to sell them to the local market.

StatsSA's estimate of the 'Upper Bound Poverty Line' (UBPL), including food plus survival essentials, was R779/month in 2011, or R26/day. The percentage of South Africans below the poverty line was then 53 percent. At the University of Cape Town SA Labour and Development Research Unit, Budlender et al (2015) argued that StatsSA was too conservative and the ratio of poor South Africans was actually closer to 63%. It would be much more appropriate to use what is increasingly considered a genuine poverty line among international political economists, which is $7.40/day, or roughly R110/day (Hickel 2019). That level would mean roughly 85% of South Africans survive under the poverty line.

The sustained poverty, inequality and unemployment that South Africa's producers currently confront are reasons for pessimism about an economic recovery. But the most important constraint to the potential for prospering SEZs is a deeper problem than public policy typically admits: capital's durable tendency to overaccumulation.

The adoption of neoliberal macro-economic policies that undermined the majority's living conditions the most prevailed under the presidencies of Nelson Mandela (1994-99), Thabo Mbeki (1999-2008), Kgalema Motlanthe (2008-09 as caretaker for eight months), Jacob Zuma (2009-18) and Cyril Ramaphosa (2018-present). Globally, too, most national regimes adopted neoliberal macro-economic policies, occasionally augmented by welfare policies grudgingly approved by the Bretton Woods Institutions (Bond 2003). What is extraordinary in South Africa, though, is that this condition is maintained within what is often, rhetorically, quite radical African nationalist rule, turbulent though it has been. Two presidents – Mbeki in 2008 and Zuma in 2018 – were victims of palace coups in large part because of growing social unrest.

Using both coercion and consent, the ANC leaders have suppressed the energies of a working class often judged the world's most militant (World Economic Forum 2017), along with radical social movements and community protesters alike (Alexander et al 2018). With protests remaining fragmented and single-issue in nature, the single most and embarrassing feature of post-apartheid political economy – perhaps aside from Mbeki's AIDS denialism and the post-apartheid era's systemic, clumsy bouts of corruption – may well be the fact that South Africa became the world's most unequal country, overtaking Brazil, after 1994 (World Bank 2016).

One obvious reason the elites have gained such extraordinary wealth since the end of apartheid is venal corruption. This problem is, within the state, of an average intensity in international terms, for South Africa ranks 73rd in the latest Transparency International (2019) corruption perceptions index measuring politicians and civil servants (worsening slightly from 71st least corrupt in 2017 and 23rd in 1996). In contrast, the PwC (2018) economic crime report continues to rate Johannesburg-Cape Town-Stellenbosch-Durban corporate sector as "world leader in money-laundering, bribery and corruption, procurement fraud, asset misappropriation, and cybercrime" (Hosken 2014); for "eight of ten senior managers commit crime" (FM Fox 2014). The Steinhoff business empire's collapse in 2017 followed by a major regional bank (VBS) only confirmed how weak financial regulation at Treasury and the SA Reserve Bank had become.

To illustrate the systemic lack of accountability in fiscal and financial policies and the conniving role of major accountancy firms, fraud in state procurement contracts is the single largest state expenditure annually. Leading Treasury official Kenneth Brown estimated in 2016 that vast shares of the annual tender budget are lost to overcharging by corporate suppliers of outsourced goods and services, "(i)t means without adding a cent, the government can increase its output by 30-40%… That is where the real leakage in the system actually is" (Mkokeli 2016). The 2016-19 revelations about the Gupta and Bosasa empires' grasp over vital state organs, politicians and officials generated estimates of more than R100 billion in damages, but Brown's estimates suggest that state spending transfers far more to elites than previously understood: R240 billion annually.

South African firms not only sell services that are vastly overpriced to the state, they in turn specialise in widespread tax dodging and offshore "Illicit Financial Flow" transfers of income, estimated at $21 billion per annum for 2004-13 by Global Financial Integrity (Kar and Spanjers 2015). Financial regulation of Base Erosion and Profit Shifting, misinvoicing, transfer pricing and other tax dodges appears non-existent; Ramaphosa himself was regularly implicated in billions of rands worth of Lonmin, MTN and Shanduka financial offshoring to zero-tax havens including Bermuda and Mauritius (McKune and Makinana 2014, AmaBhungane 2015).

The points above relate to social resistances and economic waste created by widespread corporate corruption, which are vital aspects that provide constraints to the sort of profit-making that SEZ investors expect. However, there are much worse problems to discuss next, dealing with the underlying problems in the South African economy – structural flaws associated wiht the kinds of neoliberal strategies of which SEZs are exemplars.

5.1 STRUCTURAL ECONOMIC CONTEXT AND PERIODIC OVERACCUMULATION CRISES

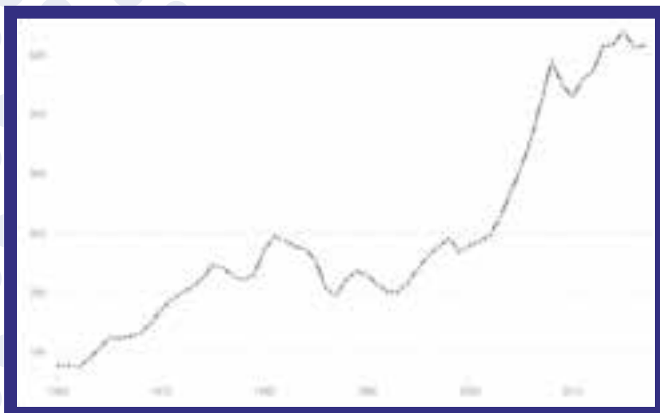
In the next pages we consider deeper structural economic processes associated with the state's failed neoliberal policies. These include: 1) long-term (50-year) tendencies to the overaccumulation of capital that have never been properly resolved; 2) a resulting stagnation in the productive sectors of the economy (as witnessed when South Africa's corporate sector profit rate fell to dangerously low levels by the late 1980s before a dramatic 1990s turnaround, before another recent plunge); 3) the mid-1990s closures of labour-intensive industries and the widespread replacement of workers with machines (causing a dramatic rise in unemployment); 4) the ascendant class power of export-oriented and mercantile capital, as well as domestic and international financial capital during the era of financialisation; and 5) the dominance of "Washington Consensus" ideology. The latter was devastating to macro-economic policy debates, especially once the Soviet Union's crash diminished the confidence of African nationalists, Communists and trade unionists during the early 1990s, leaving the Mandela government to adopt a neoliberal agenda (Bond 2014).

For the purposes of linking macro-economic policy responses and inequality to overaccumulation crisis, we show below how in South Africa, from the early 1990s, the more backward fractions of capital in the main cities' industrial districts were destroyed by international competition. The overaccumulation tendency was then experienced again from the early 2010s, once the global commodity super-cycle peaked. Given the simultaneous rise of fictitious capital (i.e. paper representations) and amplified uneven development, we contend that inequality can only be addressed in a manner that not only cuts against the grain of prevailing neoliberal public policy, but also that transcends typical Keynesian measures (in one of the best such recent arguments, Padayachee 2018 calls for merely a temporary imposition of exchange controls). To do so, the next sections consider in more detail the core problem of overaccumulation crisis, followed by macro-economic policy compromises during the 1990s, and resulting fiscal policy, monetary-financial processes and international economic relations.

Overaccumulation has various symptoms. Given the intercapitalist competition within and between industries which leads to ever rising capital intensity and hence overproduction, there is a tendency for gluts to develop: high inventory levels, unused plant and equipment, excess capacity in commodity markets, idle labour and bubbling financial capital. The latter seeks rates of profit that are increasingly difficult to identify in the economy's real sector. Hence corporations shift profits from reinvestment in (overaccumulated) fixed capital into purchasing fictitious capital, a process that stalls the devaluation of the overaccumulated capital since credit displaces (across time) the need to pay for the goods and realise the profits (Harvey 1982).

How does overaccumulation reveal itself in South Africa? Quarterly estimates of the general rate of profit over 1960-2016 suggest the economy has experienced two major phase changes in the pace and rhythm of capital accumulation. The rate of profit exhibits a cyclical tendency to fall, mainly driven by the tendency of capital intensity to rise. The economy experienced a crisis of absolute overproduction of capital in the mid-1980s. This crisis was not only characterised by stagnation in the mass of profits, it was also characterised by a halt in capital accumulation. Thereafter, the rate of profit recovered primarily because of the fall in the capital-output ratio, although it failed to reach the levels seen in the 1970s. By 2012, the economy entered a new crisis of overproduction of capital characterised by stagnant profits and prolonged overaccumulation, which makes it impossible for economic growth to recover.

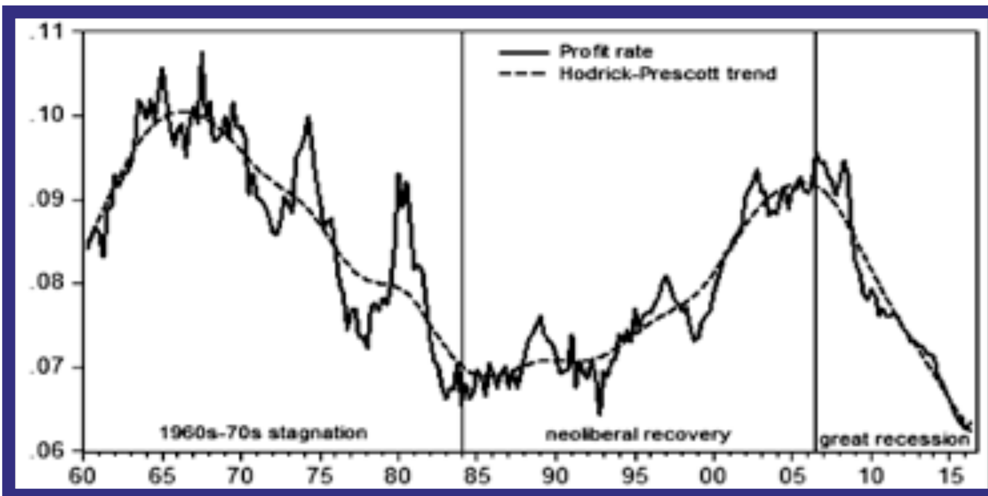
GROSS FIXED CAPITAL FORMATION, IN CONSTANT RANDS, 1960-2017



Source: World Bank, https://data.worldbank.org/indicator/NE.GDI.FTOT.KN?locations=ZA&view=chart

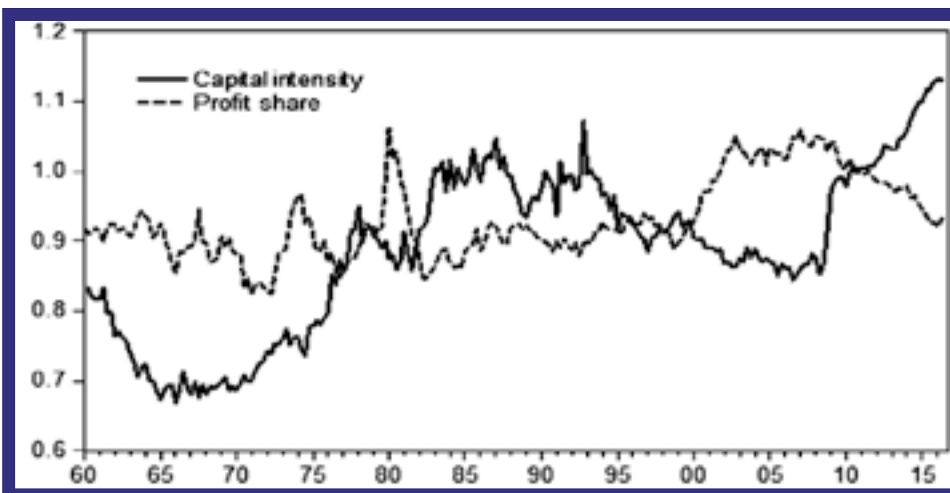
Quarterly fixed capital stock is a proxy for genuine capital accumulation (not including fictitious capital, i.e. the paper representation of capital). When the crisis rate of profit is above the actual rate of profit, the economy experiences overaccumulation. Between 1960 and 1998, the profit share remained fairly constant, fluctuating around 0.495. Thereafter the profit share rose sharply in the early 2000s and started declining after 2007. On the other hand, from the early 1960s to the mid-1980s, the capital-output ratio rose persistently (Malikane 2017).

THE QUARTERLY RATE OF PROFIT 1960-2016



Source: Malikane 2017.

CAPITAL INTENSITY AND THE PROFIT SHARE, 1960-2016 (2010=1)



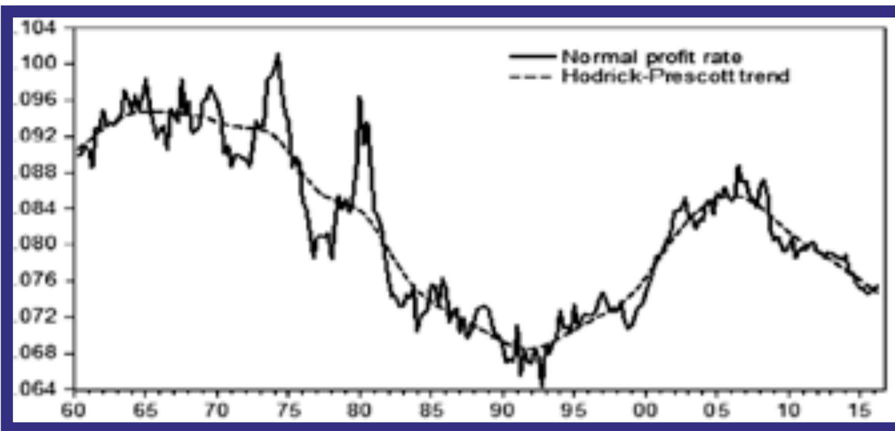
Source: Malikane 2017.

It is therefore the increase in capital intensity which explains most of the decline in the rate of profit between 1960 and 1984, a process also recognised by Nattrass (1989). During the neoliberal phase, the profit share remained fairly constant on average, but the capital-output ratio fell. Once again the recovery of the rate of profit over this period is largely explained by changes in the capital-output ratio. From 2002-2006, the profit share remained constant but the capital-output ratio continued to fall. During the great recession after 2008, the economy experienced both the fall in the profit share and the increase in capital intensity. The sharp increase in capital intensity at the onset of the great recession can be explained by the fact that the recession led to a sharp drop in output, which led to a sharp increase in the capital-output ratio (Malikane 2017).

The configuration of the components of the rate of profit after 2010 is similar to the one between 1982 and 1995. During this period, the economy experienced a crisis of absolute overproduction of capital. The historical minimum rate of profit that prevailed in 1984 was 6.6%, the same rate of profit prevailing in 2014. Nevertheless there is an important difference between these two periods. During the crisis in the 1980s the profit share was slightly rising, but during the current crisis the profit share has been falling.

Lastly, consider the "normal" rate of profit, the long-run that would prevail if all capacity ¬were fully utilised (Shaikh 2016: 826). Having controlled for fluctuations in capacity utilisation, the neoliberal recovery occurred in the early 1990s, corresponding to the beginning of the democratic era in South Africa. However, the extent of the recovery did not lead to as high a peak in the normal profit rate as in the 1960s. The sharp changes in the normal rate of profit correspond to conjunctural political events that characterise the turbulence of the South African socio-economic formation (Terreblanche 2002: 342). However, the underlying trend in the rate of profit remained downwards, and this falling trend in the rate of profit ultimately choked the growth of the mass of profits and, as Prinsloo and Smith (1997) note, capital accumulation became insufficient to cover depreciation between 1989 and 1993.

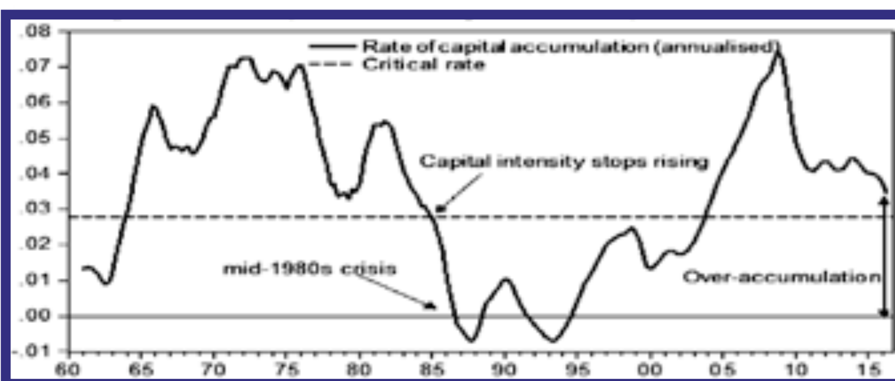
THE NORMAL QUARTERLY RATE OF PROFIT, 1960-2016



Source: Malikane 2017.

To sum up the rhythm of late-apartheid overaccumulation, after the mid-1980s, capital intensity stopped rising. Overproduction had peaked in early 1984, and thereafter the rate of capital accumulation plummeted and fluctuated around zero. The overaccumulation crisis lasted for roughly two years, because the mid-1985 economic meltdown cleared away a vast swath of capital.

THE DYNAMICS OF CAPITAL INTENSITY, 1960-2016



Source: Malikane 2017.

More recently, although the current crisis of overproduction of capital started in late 2012, there is still a substantially positive rate of capital accumulation, with the IMF (2016) regularly reporting South African profit rates in the top five of advanced and emerging economies. The plateau of most commodity prices until the 2014-15 crash allowed the extractive industries to drive what was still a substantially positive rate of capital accumulation. But that in turn signalled a much more prolonged overaccumulation crisis than in the 1980s. Then from early 2015, the rate of capital accumulation collapsed, as witnessed also in the share valuation crash of the world's main mining houses, most very active in South Africa. The market capitalisation of Anglo American and Lonmin fell more than 90% in 2015, while Glencore and BHP Billiton dropped by more than 85%. The prospects of a recovery in the light of this configuration of the rate of capital accumulation and the rate of profit are therefore non-existent (Malikane 2017).

A more explicitly pro-business president, Ramaphosa, took state power from Zuma in early 2018. But in spite of Zuma's reputation for frivolous spending, corruption and other forms of economic carelessness, the Treasury and Reserve Bank were relatively insulated from 'macro-economic populism' (as was used to describe Venezuela under Chavez, for example). Indeed there have been very few if any changes in macro-economic policy between the two regimes. We can observe this, next, in considering fiscal policy, followed by monetary policy and international economic relations.

5.2 POST-APARTHEID FISCAL AND MONETARY CONCESSIONS

When white capital broke from the white state to join forces with the neoliberal factions of the ANC during the early 1990s, this was an opportunity to shape public policy in their interest, as one of the central means of restoring profitability. The demise of the Soviet Union had removed all confidence from the ANC's left factions, especially the SACP. The near-bankrupted Treasury was awarded an investment grade by credit ratings agencies in 1994, thus subjecting South Africa to much international financial pressure. In late 1993, an International Monetary Fund (IMF) loan of $850 million had cemented the more neoliberal elements of the apartheid government's budget. Following South Africa's longest-ever depression, from 1989-93, and with private gross fixed investment still at desultory levels through the 1990s, the new government was subject to a barrage of advice for re-entry to the world economy, in search of elusive Foreign Direct Investment. In the years prior to the commodity super-cycle, it was only in 1997 that a momentary uptick recorded, when a third of Telkom was sold to Malaysian and Texan investors.

Out of apparent desperation once the Rand crashed in early 1996, the RDP office in the presidency was shut down and by mid-1996, a team comprised of local neoliberal economists (all white) and two World Bank economists devised the Growth, Employment and Redistribution (GEAR) policy. A budget deficit cut-back from 9% of GDP ratio to 3% – the European Union standard – was the GEAR target. By 1998 fiscal austerity was being felt in many of the line departments, thus adversely affecting service delivery. To broaden the revenue base, the IMF had promoted the imposition of a Value Added Tax (VAT) in 1991 instead of more progressive taxes. While Imraan Valodia and David Francis (2018) argue the zero-rating of basic foodstuffs makes VAT increases relatively more favourable to poor than rich consumers, revenues could be more equitably raised under a strategy of higher direct taxation on corporations and the rich.

During the 1990s, several other macro-economic compromises exacerbated the fiscal squeeze. These including repayment of $25 billion in apartheid-era foreign debt; cuts in the primary corporate tax rate from 56% to 38% during the 1990s (and then down further, to 28% by the early 2010s); falling customs duties and tariff revenues once South Africa joined the General Agreement on Tariffs and Trade on adverse terms in 1994; and the decision to allow wealthy South Africans to remove their apartheid-era capital to offshore sites. The latter entailed the 1995 cessation of the Financial Rand (Finrand) dual-currency exchange control system, mainly liberating the richest South Africans to remove their wealth forever; and the 1999-2001 permission given to some of the largest firms on the Johannesburg Stock Exchange (JSE) – AngloAmerican, De Beers, Old Mutual, SAB/Miller, Mondi, Investec, Didata – to relist their primary financial homes in London and New York. (Earlier individual permissions to remove apartheid-era capital had been given to BHP Billiton – formerly Gencor – as well as Liberty Life insurance.) Prescribed assets on institutional investors (to require purchase of state securities) had earlier been phased out, and the two big mutual insurance companies – Old Mutual and Sanlam – were allowed to switch to private ownership, thus compelling the state to source its domestic borrowings in a more expensive financial market than during apartheid.

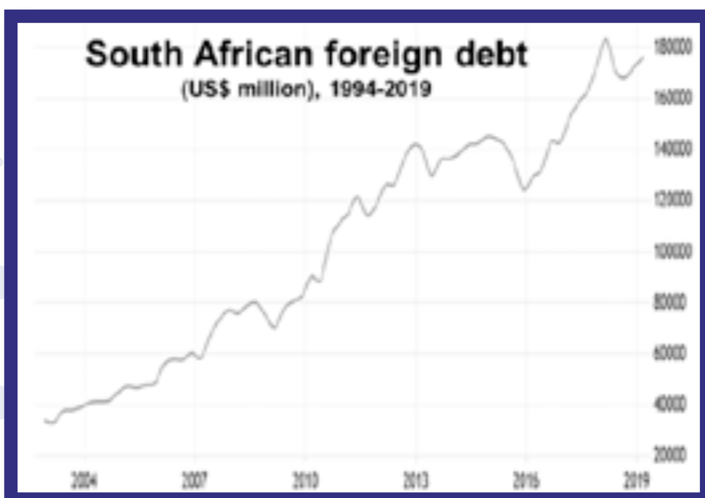
Fiscal expenditure was never strong enough to offset these biases, because due to the pressure from international credit ratings agencies plus intrinsic conservativism in Treasury, social spending as a share of GDP was in post-apartheid range of 5-8%, compared to a 22% average of the world's 40 largest economies (only four countries were lower – India, Indonesia, Mexico and China – while France and Finland maintained social spending of more than 30% of GDP [OECD 2016]). This reflected fiscal choices within the Treasury, for at the same time, state spending/GDP did rise from its 2003 low point of 24% to 33% by 2018 (with a deficit level of just over 4%). Meanwhile, aggregate public debt as a share of GDP soared from 27% in 2009 to 53% in 2018, as a result of stagnant per capita GDP growth over the period. The makeup of public spending was simply not sufficiently redistributive to take advantage of low-income consumer's much lower leakage of spending than, for example, the wealthier citizens and corporations prone to purchasing luxury imports or park their savings in unproductive, speculative sites like the JSE, where there is little if any relationship to real-economy investment. Other biases in fiscal policy include health spending, where the wealthy receive tax write-offs for private medical expenses, as well as corporate concessions on municipal services tariffs and electricity (Special Pricing Agreements are especially generous to two giant mining houses, BHP Billiton and Anglo American, whose per unit cost of power is one tenth the rest of society). The extractive-industry corporates are also lightly taxed – through royalties and income taxes – on their depletion of non-renewable resources, which also exceeds $20 billion per annum (Bond 2018). These are just some of the ways that 'corporate welfare' exceeds the state's social spending.

In addition, much fiscal activity that should be inequality-reducing, such as schooling, is not in South Africa. Sometimes that reflects the apartheid legacy in which those with closer proximity to good state services maintained them after 1994 as a result of residential re-segregation processes. As a result, there is regular rubbish collection in traditionally white neighbourhoods, but none to speak of in shack settlements where a third of a typical city's residents live. Because the catchment area for schools also reflects this geographical bias, experts argue that public education – typically taking 15% of the South African national budget annually – does not reduce but cements inequality (Spaull 2013).

Another reflection of privileged geographical location leading distorted fiscal policy and inequality-exacerbating outcomes, is state economic infrastructure funding. So too does state spending on defence, public order and safety – because geographically there is more money spent in rich than poor areas to protect property and residents, but also in terms of defense spending, the wealthy have more to lose if national sovereignty is violated militarily. A final category of fiscal spending that amplifies class power is debt servicing, since financiers and other wealthy bondholders benefit most, as a result of South Africa's historically-high real interest rates.

All of these considerations (and many others) reflect a long-standing dispute (Bond 2015; Forslund 2016) with the World Bank (2014, Woolard et al 2015) regarding a supposed 'highly redistributive' impact (from rich to poor) claimed by the Bank and many important allies in their fiscal analyses. Woolard et al (2015) argued that the Gini Coefficient falls from 0.77 to 0.59 thanks to Pretoria's 'comprehensive' expenditures, which include state education and healthcare spending. In 2016, the Bank (2016, 151) estimated that a reduction in inequality by "over 7 points in the market income Gini" occurred through fiscal policy. By 2018, however, the IMF (2018b) admitted that such analysis "excludes important taxes (such as corporate income, international trade, and property taxes) and spending categories (inter alia, infrastructure investments)…" With such vast gaps, not to mention the other points discussed above, the Bank analysis suggesting a redistributive state simply falls apart.

Similar concerns must be expressed about monetary policy. Indeed, by allowing the current account deficit to soar after 2001, as a result of a new stream of profit and dividend outflows associated with the relisting of major firms on the foreign stock markets, much higher levels of foreign indebtedness were then required to pay that outflow. The inherited $25 billion foreign debt (of all borrowers) soared to more than $183 billion by 2018. And this, in turn, required South Africans to pay a higher real interest rate than ever before, typically amongst the top five in the world for 10-year securities amongst several dozen countries that sell these in international markets. This premium was paid long before junk ratings were imposed from April 2017.



Source: South African Reserve Bank

Historically, the late 1980s witnessed a sharp turnaround from counter-cyclical to pro-cyclical monetary policy, once a neoliberal (Chris Stals) replaced a more politically-sensitive Reserve Bank Governor (at crucial moments, Gerhard de Kock had kept rates low to please the Pretoria regime). The dramatic rise in real interest rates in 1989 was exacerbated in 1995, by another ratcheting of real interest rates as a result of the Finrand liberalisation: to compensate for the outflows (benefiting the wealthiest), the Reserve Bank's high returns to inflows hurt all debtors. Those included a new (often first) generation of black borrowers, and the April-September 1998 crash of the Black Chip shares on the JSE was even greater than the stock market's overall 45% fall from peak to trough.

As the crash unfolded, the currency also collapsed once Russia defaulted on its foreign debt, confirming the fragility in emerging markets. After spending the country's hard currency attempting to defend the Rand's value, Stals gave up and instead simply raised interest rates by 7% within two weeks. The shock rise followed a steady increase in the real interest rate the Reserve Bank charged its own borrowers (the repo, or repurchase rate) from 2.5% in 1993 to 12.5% in 1998. That increase exacerbated bankruptcies (the repossession rate) for black business borrowers who had collateralised their debts with stock market shares. Hence the 1993 and 1996 decisions by Constitution drafters to give the SA Reserve Bank formal 'independence' were, in those respects, extremely costly to the society.

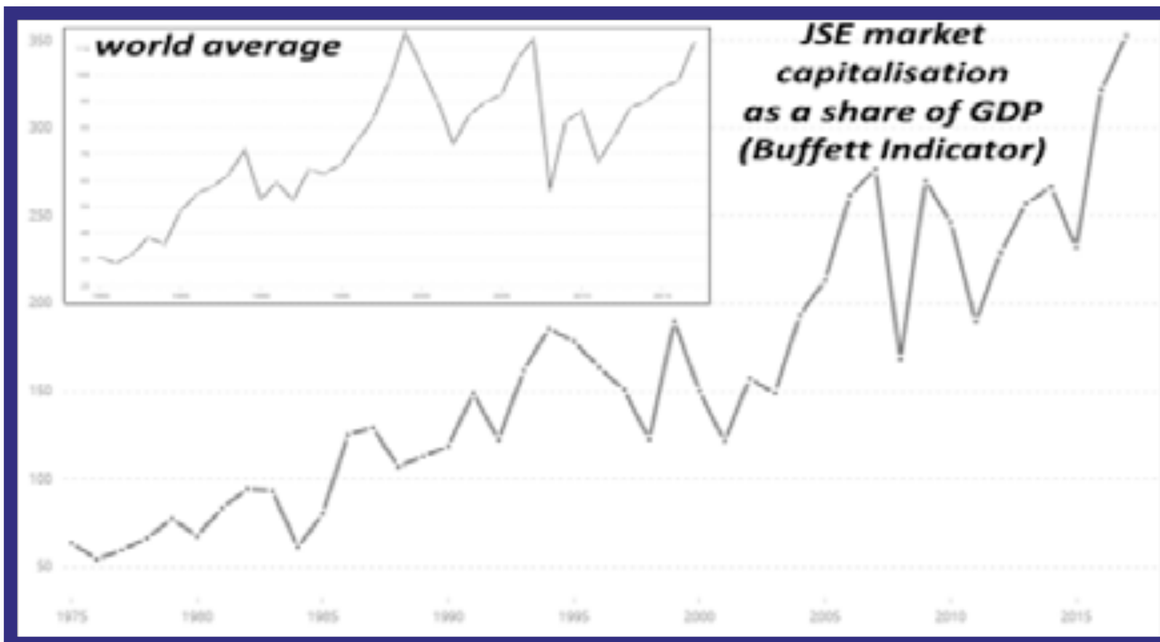
Interest rate management is not only aimed at keeping money inside the country. In orthodox hands, a monetarist perspective considers money supply the driver of internal prices. Thanks to the Reserve Bank's high interest regime since 1995, inflation never reached the levels of the 1980s, and indeed in recent years, Consumer Price Inflation was reduced to 5.1% for the wealthiest fifth of the population over the 2009-17 period. However, for the poorest two thirds of South Africa, it was nearly two full percentage points higher, according to the IMF (2018a, 76), partly as a result of higher administered prices (especially electricity) and food prices as drought periodically cut domestic supply.

Another aspect of monetary management (considered in the broadest terms), is the financial system's supervision and regulation. The 'Quantitative Easing' loose-money strategy adopted by the North's central banks from 2009-15 was based, first and foremost, upon ensuring banks would survive the Great Recession, and secondly, upon the need to artificially reflate global effective demand. In South Africa, supervision and regulation of the financial system always received praise from the World Economic Forum (2017) Global Competitiveness Reports, usually ranking in the world's top ten.

But in reality, there are major problems with supervision and regulation, as witnessed in the delinking of the South African financial system from the real economy. Reflecting the financialisation process that was explained in theoretical terms above, South Africa's overaccumulated capital has not been reinvested, in the form of profit streams plowed back into plant and equipment. The main way the financial markets have taken over such flows of idle capital, is through a level of stock market overvaluation, an 'irrational exuberance' (as Alan Greenspan termed this process in the US) that is the world's worst, measured using the Warren Buffet Indicator. By that measure, which is a national stock market's aggregate share value to GDP, the JSE grew rapidly through January 2018, reaching a ratio (350%) higher than any other ever measured, 3.2 times higher than the world average. Although real estate markets were adversely affected by the 2009 recession and subsequent political uncertainty, from 1997-2008 South Africa's landed property grew faster than any other in the world, twice as high the next largest bubble market, Ireland's (The Economist 2009).

Had there been political will, the Treasury and Reserve Bank could have addressed these bubbles, since many were based upon the chaotic search for financial returns. For example, a "Henry George Tax" on undeveloped land would have lowered the returns to speculative acquisitions, and a strong mode of forced class-integration within residential projects – so that affordable housing is mixed with luxury accommodation – would have prevented so much investment money in upper-income gated communities. There could readily have been "Tobin Tax" disincentives for financial transactions above a certain value (even Zimbabwe applied such a tax – of 0.02% on every bank transaction – although without any real attempt at progressivity in late 2018, given the ultra-neoliberal orientation of Finance Minister Mthuli Ncube, hence it was universally despised).

RISING STOCK MARKET OVERVALUATION, JOHANNESBURG STOCK EXCHANGE, 1975-2017



Source: World Bank

However, in contrast to what was possible (sometimes termed "financial repression"), some of the main regulations pertaining to financial were deregulated, sometimes even out of existence. These included the Finrand dual exchange-rate to penalise offshoring; the corporate listing requirements; the building societies' domination of home mortgage bond lending; and the very existence of the major insurance companies Old Mutual and Sanlam as mutual societies. In the case of usury rate protections against excessive interest rates (especially on small loans), major exemptions were made to existing regulations (Bond 2014).

Along with the relatively high interest rates paid to savers due to conservative monetary policy, these processes had the effect of intensifying inequality, as wealthy South Africans externalised their assets and as the mutual ownership that had preserved working-class wealth for generations suddenly reverted to private ownership of existing shareholders. Several banks that were on the verge of failure were merged thanks to a generous Reserve Bank bailout loan, creating the Amalgamated Banks of South Africa. (Smaller banks were not so fortunate, as no bailout was considered for the African Bank or VBS in recent years.) Pension funds that required longer-range investment consideration were converted to provident funds that could be drawn down by beneficiaries overnight.

Moreover, the degree to which the regulators' oversight was inadequate to the task of maintaining financial system coherence was illustrated repeatedly by banking scandals. For example, Illicit Financial Flows unveiled by data leaks – scores of rich South Africans people and firms named in the HSBC, Panama Papers and Paradise Paper scandals from 2015-17 – were never acted upon. At least 17 banks were involved in the manipulation of foreign currency transactions; but their exposure in 2016 occurred in the Competition Commission, not the Treasury nor the Reserve Bank. The financial accountancy profession became a laughingstock, for repeatedly giving positive ratings to companies Steinhoff, VBS bank and African Bank.

Supervision and regulation were also weak when it came to consumer indebtedness, until the 2005 National Credit Act tightened lending requirements. But inadequate protection against informal lenders remains a major problem, because with a lower share of the post-apartheid national surplus going to labour as opposed to capital (a 7% relative decline from 1994-2016), the working class became overindebted. The crisis year was 2008 because of rapid interest rate increases, although they were then partly reversed as the global financial meltdown unfolded. In 2004, household debt/GDP was 55%, but soared to nearly 90% in 2008, before declining to 70% in 2019. The National Credit Regulator (2017, 43) recorded nearly 25 million credit-active consumers in 2017, of whom "39% had impaired records."

Indeed, the debt of the bottom decile of the population rose to a full third of household asset value by 2015 (IMF 2018a, 76), while for the top decile it was only 9%. Differential pricing of financial services means that wealthier borrowers pay lower rates (and get higher rates when savings), compared to the micro-finance industry that lends to poor and working-class people. The IMF (2018b, 18) study of financial markets confirms that "bottom quintile households account for 33% of loans from 'mashonisas' (higher-cost informal lenders) compared to 8% for the top quintile."

In sum, the monetary and financial management of South Africa's economy was characterised by supervisory laxity, deregulation, corporate corruption and excessive financial speculation. These aspects of inequality-amplifying macro-economic policies were, in turn, exacerbated by South Africa's increasingly vulnerable relationship to a volatile world economy.

Many of the policies in the fiscal, monetary and financial-regulatory spheres are the outcome of international pressures, revealing power in excess of domestic policy sovereignty, and thus an inability to break out of South Africa's inherited class, race and gender inequality. Specific levers include the $25 billion apartheid debt repayment; the relationship with the Bretton Woods Institutions (both the 1993 IMF loan and World Bank policy advice); ascension to the World Trade Organisation, which compelled lower tariffs on manufactured goods; exchange control liberalisation; and the delisting of the main Johannesburg and Cape Town corporations (Bond 2014).

Defenders of the ANC's turn to globalisation point to the commodity super-cycle during which the four main mineral exports – platinum, coal, iron ore and gold – did exceptionally well from 2002 until the crash of 2015. Unfortunately for South Africa, however, the firms controlling these minerals required their payments to be made to international head offices in foreign currency, so the profits, dividends and interest ('balance on income') component of the current account deficit soared to a high of 7% of GDP in 2009, and subsequently were in the negative 2-3% range (IMF, 2018a, 17). Yet South Africa's net foreign investment position is positive (since 2014), in part because Naspers bought a third of Tencent for a tiny fraction of its late 2010s' $572 billion market capitalisation peak.

In other words, exchange control liberalisation has permitted the likes of Naspers to retain earnings in overseas shares or leave those profits abroad. Worse, further outflows are occurring at a more rapid pace, the wake of the February 2018 decision by Treasury to permit an additional $38 billion of institutional investor funds to move abroad (exchange controls on these funds were relaxed from a 75 to 70% local investment requirement). Yet with just $50 billion in reserve holdings of hard currency, the IMF (2018a, 35) correctly termed these "below adequacy" by at least 30%.

The macroeconomic policies discussed above may work for a few East Asian countries able to run current account surpluses and not suffer from extreme financialisation, commodity price volatility, world-leading corporate corruption, the highest unemployment rate in the industrialised world, 65% poverty, durable racism, gender superexploitation, and the sustained overaccumulation of capital. The world's worst inequality is, in many respects, a direct casualty of the combination of underlying economic crisis tendencies – 'structural' in nature – and neoliberal public policy, that in developmental contexts assigns 'agency' and the lack of it, to marginalised communities.

The policy implications of overaccumulation, as derived from the analysis above, include the inability of the state to impose fiscal austerity without harming capital accumulation. However, the state's ability to raise the mass of profits through austerity and tax cuts is of concern. Amplifying such a policy in coming months and years, via public spending cuts and ongoing failure to invest, would generate increasing anger amongst the working class, which may lead to a political crisis. Indeed, even on narrow economic grounds, fiscal austerity measures are contradictory, because they also reduce the critical rate of profit below the actual rate, which soon increases capital intensity and puts downward pressure on the rate of profit (Malikane 2017). Most importantly, given this structural background, the SEZ push is highly questionable.

5.3 TREASURY'S LAST-STRAW EXPORT-LED GROWTH PRO-SEZ STRATEGY

As this policy paper goes to press, renewed endorsements of exports and SEZs have again been offered by Finance Minister Tito Mboweni, as part of the Treasury's 'Economic Transformation, inclusive growth, and competitiveness' strategy (along with other controversial ideas such as privatising Eskom's coal-fired power station fleet instead of more rapidly shutting them down, as the world requires to avoid catastrophic climate change). Like the failed 1996 Growth, Employment and Redistribution policy which was imposed in a 'non-negotiable manner,' this document parachuted from Treasury, stunning the ANC's 'Tripartite Alliance' partners in the trade unions and Communist Party, leading to their rapid rejection of the process and content. Meanwhile, most mainstream commentators and analysts are celebrating Mboweni's forceful, non-consultative approach, as they desperately seek relief from the persistent stagnation and decline in corporate profitability.

Endorsing a World Bank advisory document (Purfield et al 2014) written prior to the commodity price crash of 2015 and the growing recognition of 'slowbalisation,' this out-of-date, neoliberal mandate should have been tempered by the harsh realities discussed above. To recall, these barriers to exports include South African capital's worsening investment strike; imminent world recession and potential full-fledged capitalist crisis; pre-existing deglobalisation processes (declining trade/GDP, FDI/GDP and cross-border finance/GDP rates, as well as rising xenophobia and anti-immigrant policies); the ongoing Chinese economic slowdown and difficulty of BRI displacment; the shrinkage of global value chains; the likelihood of increasing costs for faraway trading transactions due to shipping and airline carbon taxation ; Africa's worsening debt crisis; Trump's chaotic trade war, with not only China but many other countries including South Africa; and the adverse impact of Brexit on South African exports anticipated in late 2019. Together, these factors require a rethink of the old strategy, which can be considered as export-led decline.

Instead, from Mboweni's office, the old-fashioned neoliberal mantra continues :

> South Africa needs to promote export competitiveness and actively pursue regional growth opportunities in order to leverage global and regional value chains for export growth (Purfield et al. 2014). Exports have been identified as a key driver of economic growth. Technologically sophisticated exports, in particular, are crucial to structural transformation as it enables an economy to move from low- to high-productivity activities (Republic of South Africa, 2019, 50).

The word 'competitiveness' is used in the Strategy paper 107 times (five times more than 'inequality' or 'equality'). The 'crucial' high-tech export sector is essentially non-existent in South Africa, with the exception of the auto industry's integration into the global value chains, a mid-1990s policy increasingly viewed as an extremely costly mistake, even by former proponents (e.g., Kaplan 2019). The Motor Industry Development Programme (MIDP) provides Duty Free Allowances, Import Rebate Credit Certificates, and Production Asset Allowances worth R212 billion from 1995-2012 and closer to R50 billion annually since. But aside from enhanced auto industry profits, the results has included rapidly-shrinking auto sector employment (from 250,000 in 1994 to 76,000 in 2019), the failure to meet even 10% of the 2008 new production targets for 2019 (which were for more than a million cars, compared to actual output this year closer to 600,000), an ongoing auto sector bias towards overpriced luxury automobile production for a tiny share of the transport-starved market, and uncalculated ecological damage. Indeed the generosity of the MIDP helps explain why South Africa has underspent on public transport and failed to establish an affordable electric car industry. Indeed the MIDP has long rewarded the practice of cheating on greenhouse gas emissions by the likes of unethical car companies, especially the notorious German firms Volkswagen/Audi, BMW and Mercedes/Daimler (Ewing 2017).

As for new high-tech exports, although this paper did not address the 'Fourth Industrial Revolution' (4IR) debates due to space constraints, it is obvious that a profound strategy of socialising technology is required. This was achieved in the early 2000s by activists (against the government of Thabo Mbeki) with AIDS medicines through an exemption to the Trade Related Intellectual Property System of the World Trade Organisation, and once roll-out of free drugs to more than five million HIV+ patients began within the public sector, the life expectancy of the average South African rose from 52 in 2005 to 64 today. The contrast could not be greater, to the kinds of job-destroying, surveillianc-enhancing cowboy-capitalism 4IR changes that are anticipated in the months and years ahead, driven by Big Data from the U.S. and China, at the expense of employment, sovereignty and privacy.

To the Treasury's credit, there is at least a passing, honest acknowledgement of just how difficult further export-led growth will be :

> In recent years the focus on supporting trade growth has embraced behind-the-border issues as many countries have been unable to compete in global markets despite greater (often preferential) market access. This shift recognizes that a firm's ability to compete in international markets is the combination of a complex set of demand- and supply-side issues, including macroeconomic policy, infrastructure, and related services, transport and logistics, and coordination failures. There is an increasingly challenging global export environment (particularly in traditional markets and manufactured goods). For this reason, South Africa needs to shift its focus towards increasingly attractive regional growth opportunities which hold significant potential to increase intra-regional exports and foster growth and economic development in the region (Treasury, 2019, 50).

However, the failure to tell readers about Africa's economic downturn and poor prospects for current account balances as debt crises worsen, is revealing. As a result, the strategy won't work on its own market-driven terms. That reality, in turn, will compel Treasury to make South AFrica's production systems much cheaper, so as to enhance competitiveness. Mboweni's strategy appears to be attacking both regulations on corporations and the labour market, starting with a small business wedge within SEZs, as a 'pilot' for the broader neoliberal agenda:

The government should consider full or partial exemptions for small businesses from certain kinds of regulation (e.g. the extension of bargaining council agreements) can assist small businesses (and other new market entrants) – SEZs can be used as potential places where these types of interventions can be piloted (Treasury 2019, 7).

CONCLUSION: NEW THREATS, NEW RESISTANCES AND NEW ALTERNATIVES

We conclude with thoughts about the agency for resistance to these neoliberal policies, both ones in existence since the early 1990s (Bond 2014) and those that are being re-introduced through SEZs and the renewed export-led 'growth' strategy. The SEZ strategy did not begin well, Treasury at least admits in its new policy paper:

> 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 (Treasury 2019, 47).

The failure to 'crowd in' investment and the ability of multinational corporations to use lower taxes but not deliver the promised jobs and durable, sustainable income, are indeed some of the questions that need to be asked about SEZs and export-led growth. But South African activists' questioning of multinational corporate exploitation is by no means new. Since the slave trade and other abominable origins of white-settler profiteering emerged even before the Dutch East India Company invasion of 1652, later amplified by the likes of Cecil Rhodes and Ernst Oppenheimer's Anglo American Corporation, resistances have always arisen from South African grassroots, labour, communist and nationalist (both Boer and Black) activists. Over the past century of fighting for democracy, and quarter-century fighting for social justice, targets included not only local but especially global corporations whose interests were inimicable to the South African citizenry:

- hundreds of Western multinational corporations and banks – which ignored anti-apartheid sanctions called initially by Albert Luthuli;
- pharmaceutical corporations which denied access to life-saving AIDS medicines – until the Treatment Action Campaign demanded an end to monopoly patents, thus raising average life expectancy from 52 in 2004 to 64 a dozen years later;
- post-apartheid's Public-Private Partnerships including municipal water firms (Suez, Biwater and Veolia) and Gauteng's highway e-toll managers (Kapsch Trafficom) – which were repelled by unions, township activists and the Organisation Undoing Tax Abuse;
- the Zurich-based FIFA organisation – whose 2010 World Cup ran into numerous local protests;
- collusive construction, bread and cell-phone companies, and bankers manipulating the currency – all prosecuted by the Competition Commission, in turn fuelled by social outrage;
- Lonmin's labour exploitation and illicit financial outflows – fought by the mining union AMCU, as well as other unions and lawyers successfully suing major mining corporations for silicosis and asbestosis damages;
- the World Bank in several controversial roles – as apartheid lender (Jubilee 2000 and Khulumani demanded reparations), Lonmin investor (Marikana grassroots feminists and the Wits Centre for Applied Legal Studies), primary creditor for Eskom's corruption-riddled Medupi coal-fired powerplant (Lephalale community critics and Earthlife Africa) and lead owner of Net1-CPS, the social-grant disburser which illegitimately debit-ordered millions of poor people (until Black Sash forced its CEO's firing in mid-2017);
- three credit ratings agencies from Manhattan (Standard&Poors, Fitch and Moody's) and allied financiers who since 1994 influenced the Treasury to make repeated cutbacks in social spending, infrastructure and higher education – fiercely contested (albeit indirectly) via myriad service delivery protests and the #FeesMustFall student movement; and
- three Gupta bothers from Johannesburg along with their allies in British, US and German corporations – forever brand-degraded.

Today, with South Africa's SEZ policies and practices continuing to unfold, the involvement of people like those who fought the battles above will be the most vital ingredient. To the extent that there have been genuine bottom-up victories against neoliberalism, these are deeply instructive as to the core elements of a more robust and enduring post-neoliberal politics. They include early service delivery protests which catalysed a Free Basic Services policy providing at least tokenistic supplies of water and electricity (at least 25 liters/person/day and 50 kWh/ household/month), a small monthly welfare grant to 17 million people (nearly a third of the population), and – much more substantively – the commoning of HIV/AIDS medicines (Bond, 2014).

The future of a South African post-neoliberalism capable of contesting the SEZ model and neoliberalism more broadly depends upon whether resistance politics continue to focus upon these four themes, and whether the activists collectivize their experiences, moving from local to national terrains of struggle. Ongoing mass campaigns in water, electricity and university education had for many years faced fiscally conservative finance ministers. The latter rejected student demands for R25 billion in additional annual spending to make higher tertiary education free. In October 2015, a few thousand students won stunning short-term victories after national protests on consecutive days at parliament in Cape Town, the ANC's national headquarters in Johannesburg and the president's Pretoria office.

In addition to a (real) 5% fee cut, nearly all universities also agreed to 'in-sourcing' of low-paid university workers. Then in late 2017, Zuma's last promise as ANC leader was to find R15 billion in the 2018 budget and from there on, around R40 billion per year to offer 90% of students free education, by raising state funding of tertiary education from 0.68% to 1% of GDP. To be sure, this was a populist gesture widely interpreted as consolidating support for the Zupta camp in the following day's ANC presidential race between Ramaphosa and Dlamini-Zuma, but it was still declared as a victory by students and their supporters.

Like the fight for a policy ensuring free basic supplies of water and electricity, the campaign for free tertiary education teaches the importance of scale-jumping, in a myriad of physical micro-space contestations, because they were only successful by moving from micro-sites to generate a sense of national purpose. Yet there are evident limits to the thousands of township-based 'service delivery protests' that occur each year. In part due to localism, community activists often do not identify the source of harm (e.g. in the national treasury) beyond the immediate geographical settings of the slums.

Two more caveats are in order, regarding the possibility of a national power shift, without which South AFrican progressive activists are likely to remain within their issue-specific silos. First, residents' grievances against immigrants have sparked tragic conflict. The xenophobic attacks that became national news in 2008, 2010 and 2015 were just one of the dangers of turning inward against the Other close at hand. This violence targeted immigrant workers as well as shop-keepers from Somalia, Ethiopia, Pakistan and Bangladesh, whose economies of scale had swamped the market and threatened local residents' much smaller 'spaza shops' (Bond 2014).

Second, an epidemic of domestic, gendered violence among a patriarchal South African working class is another self-destructive way that the scale politics of social grievances have telescoped backwards, in this case into the home.

Just as important a missing link, is an ideologically coherent approach to an alternative strategy. An egalitarian economic argument will be increasingly easier to make now that the world economic crisis and the dynamics of deglobalisation are forcing South Africa and other African countries towards rebalancing.

One alternative worth discussing entails what the African continent's greatest political economist, Samir Amin (1990), termed 'delinking.' He stressed that this is not a formula for autarchy, and certainly would gain nothing from North Korean-type isolation. But it would entail a sensible approach to keeping some of the adverse international economic and geopolitical tendencies reviewed above, as far away as possible.

The greatest economist of the 20th century, John Maynard Keynes (1933), agreed with this strategy. He wrote in 1933: "I sympathise with those who would minimise, rather than with those who would maximise, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel – these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible and, above all, let finance be primarily national."

These are the concepts that are motivating discussions over the successes and failures of localised SEZ model, as well as all the neoliberal assumptions that this model contains. As an illustration of this view from the point of view of the voices of workers, the last words of this paper go to the South African Federation of Trade Unions (SAFTU), with around 800,000 members, which in August 2019 made a call for a very different kind of approach to economic poilcy.

SAFTU CALLS FOR EXTRAORDINARY INTERVENTIONS TO STOP SOUTH AFRICA REACHING THE ROCK BOTTOM AND A POINT OF NO RETURN!

Johannesburg, 5 August 2019

The South African Federation of Trade Unions, in its response to the StatsSA second labour force survey,

1. Announce a real stimulus package at least to the region of R500 billion rands to save the situation from getting worse in the third and fourth quarter.
2. Introduce a wealth tax and solidarity tax,
3. Implement legislation such as a general anti-avoidance tax act to halt base erosion, profit shifting and the loss of the country's resources to illicit financial flows, that not only reduces the tax base but more significantly perpetuates wage inequality.
4. Review the corporate taxes that were around 45% during the apartheid era but driven down to 28% after 1994.
5. Review personal income tax to ensure that those who can pay more make more contributions to the fiscus.
6. Cap the salaries of those earning gruesome amounts and introduce a meaningful National Minimum Wage that could close the worsening income inequalities and address the crisis of poverty amongst the employed workers.
7. Find creative ways of effectively taxing incomes gained in the financial markets.
8. Raise government revenue to 33% of the GDP.
9. Scrap the Labour Bills that have been introduced to undermine the right of workers to strike.
10. End to the private sector investment strike. The private sector is hoarding a R2 trillion rands investable cash
11. Adopt industrial policy aimed at import substitution, sectoral re-balancing, social needs, eco-sustainability
12. Increase state social spending, paid for by higher corporate taxes, cross-subsidisation and more domestic borrowing (& loose-money, 'Quantitative Easing', too, if necessary)
13. Reorient infrastructure to meet unmet basic needs, and expand/maintain/improve energy grid, sanitation, public transport, clinics, schools,recreational facilities, internet
14. Adopt 'Million Climate Jobs' strategies to generate employment for a genuinely green 'Just Transition'
15. Address the land and property poverty of the majority by nationalising land and minerals under the democratic control of workers as called for in the Freedom Charter.

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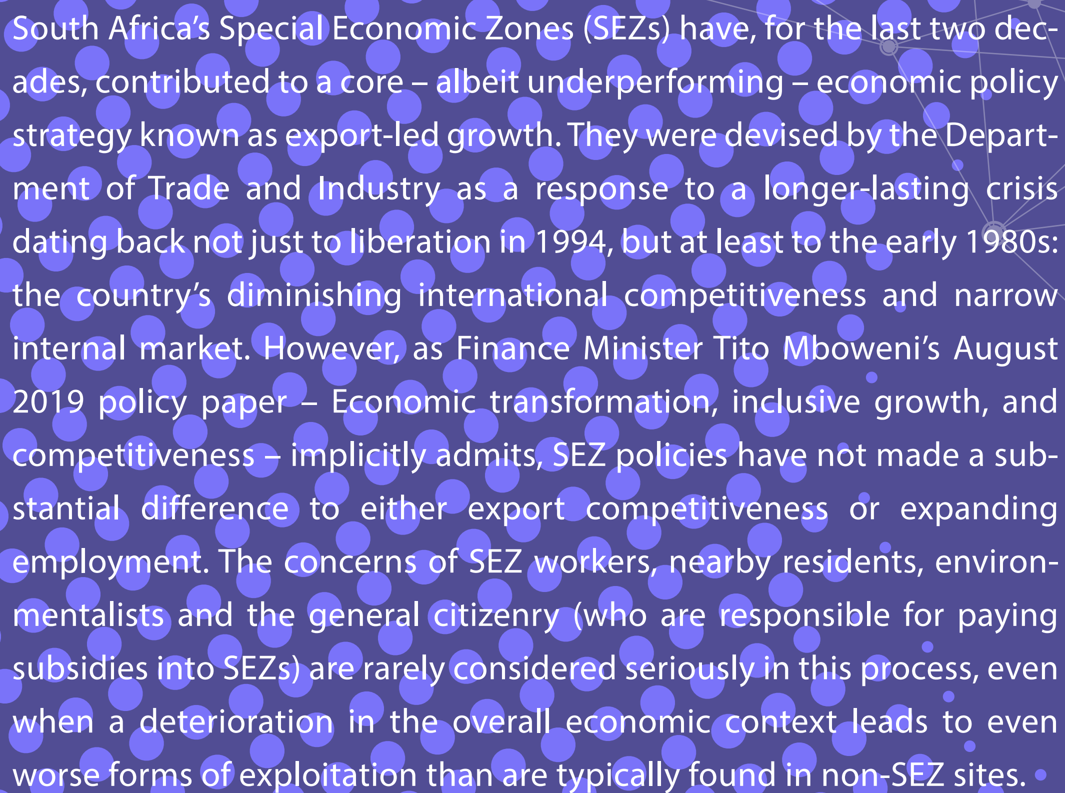

South Africa's Special Economic Zones (SEZs) have, for the last two decades, contributed to a core – albeit underperforming – economic policy strategy known as export-led growth. They were devised by the Department of Trade and Industry as a response to a longer-lasting crisis dating back not just to liberation in 1994, but at least to the early 1980s: the country's diminishing international competitiveness and narrow internal market. However, as Finance Minister Tito Mboweni's August 2019 policy paper – Economic transformation, inclusive growth, and competitiveness – implicitly admits, SEZ policies have not made a substantial difference to either export competitiveness or expanding employment. The concerns of SEZ workers, nearby residents, environmentalists and the general citizenry (who are responsible for paying subsidies into SEZs) are rarely considered seriously in this process, even when a deterioration in the overall economic context leads to even worse forms of exploitation than are typically found in non-SEZ sites.

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