

Workshop at the *Centre for the Study of Social and Global Justice* (CSSGJ)
Nottingham University - 2 and 3 December 2011

Trade Policy in Post-Apartheid South Africa.

What are the current policy options?

An assessment of COSATU's views.

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Abstract

This paper explores the shifts in South Africa's trade policy in the post-apartheid era. Based on this contextual analysis, the aim is to understand possible convergences between the discourses of the ANC-led government and the Congress of South African Trade Unions – the most representative union federation in the country. In order to do that, the paper focuses on two major issues currently discussed in the political arena. The first one concerns to the broader debate on industrial policy and job creation and its relevance to trade policy formulation. The second issue relates to the discussion on the role of developmental state and its implications for trade policy.

Keywords: African National Congress (ANC), Congress of South Africa Trade Unions COSATU, Trade Policy.

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Introduction

South Africa (SA) experienced in the 1990s important political and social transformations as it turned into a democratic regime. The labor movement strength and its capacity of mobilization against the apartheid regime were decisive and today it remains as a key player in SA politics.

Once the African National Congress (ANC) came to power in 1994, the Congress of South African Trade Unions (COSATU)¹ positioned itself as an allied partner, along with the South African Communist Party (SACP). Despite of the overt dissatisfaction of the government over time, labor remains officially in the tripartite alliance.

Much of COSATU's dissatisfaction over government's policies comes from the ideological divergence. While COSATU continuously defends a socialist agenda, it did not take long for the ANC-led government to leave behind its leftists approach in detriment of orthodox economic policies.

As the debate moved from "growth *through* distribution, to growth *with* distribution"², the government's economic visions were consolidated in 1996 through its macroeconomic policy - Growth, Employment and Redistribution (GEAR). The government wanted to send a signal to the markets of its commitment to openness and macroeconomic stability. COSATU firmly rejected GEAR, and called for the implementation of ANC's election manifesto of 1994; the Reconstruction and Development Programme (RDP).³

In light of these events, at least two important points are worth to stress. Firstly it illustrates ANC's acceptance of the inevitability discourse of neoliberal framework. Secondly it shows evidence of COSATU's loss of influence within government's economic policies.

The GEAR met the targets of lower inflation, budget deficit reduction and export goals. ⁴ It also created an environment for economic growth. The average of real GDP growth from 2000-2007 corresponded of 4.2%, for example. ⁵ But the relevant question concerns the social implications for meeting these targets. In other words, what does

¹ COSATU is the largest trade union confederation in South Africa.

² Alves and Edwards, 2009, p. 86-87

³ The RDP has an office under the presidency but during Mbeki's term it was closed and since then RDP is not part of the government's policy framework.

⁴ Andreasson, 2006:308

⁵ OECD, 2011

economic growth represent for the majority of the SA working poor? Unfortunately, it is not an encouraging fact as poverty; inequality and unemployment remain very high.

According to the South Africa Statistics⁶, the official unemployment rate increased from 22.7% in 1997 to 24% in 2009.⁷ Other sources use different methods of calculation, and thus suggest a different scenario. To some it increased from 39%⁸ in 1998 to 42.1% in 2003⁹.

Moreover, urban poverty and inequality increased. In 2002, between 45-50% of the population was poor.¹⁰ In relation to the Gini coefficient, it went from 0.64 in 1995 to 0.72 in 2005, maintaining SA as one of the most unequal countries in the world.¹¹

In order to have a more comprehensive understanding of why economic growth does not automatically translate in job creation, trade policy is one of the many factors to be considered. It is known that the impact on employment and household incomes, for instance, depends largely on the structure of trade.¹²

In summary, SA went through a period of economic growth through a neoliberal economic framework but it did not lead to better working and living conditions for the large majority. The scenario becomes even more pessimistic due to government's systematic marginalization of the labor movement, even during Zuma's mandate.¹³

This paper attempts to deal with trade policy shifts and current policy alternatives through the lenses of the organized labour in SA. It focuses on the following questions: how does COSATU address this particular debate and what alternatives are offered? Most importantly, are there significant convergences between labor and government in the trade policy debate?

A useful approach is to assess the current concerns discussed in the country. In order to do this, the paper refers to mainly four documents; COSATU Congress Resolutions of 2006 and 2009 as well as Discussion Papers of 2006 and 2010.

⁶ Stats official definition: "The unemployed are those people within the economically active population who, (a) did not work in the calendar week preceding the interview, (b) have taken active steps to look for work or to start a business in the four weeks prior to the interview, and (c) want to work and were available to start work in the reference week." (Stats, 2011:45) Therefore, it does not include discouraged people, as other results.

⁷ Stats SA, 2009: Stats, 1998

⁸ Kingdon; Knight, 2001:1

⁹ Gelb, 2005:367

¹⁰ Daniel; Southall; Lutchman, 2005:xxii

¹¹ Bhorat, van der Westhuizen, & Jacobs, August 2009

¹² Makgetka and van Meelis, 2007:99

¹³ President Zuma was elected in 2009 with strong support of COSATU but disappointments remain high.

The SA political economy is very complex and thus several issues are fiercely debated but limitations of this paper only allows for a selected analytical focus. Therefore, the paper deals with shifts in the current debates over trade policy and the adoption of **job creation and coherent industrial policy** as top priorities and not as “add-on” issues in policy formulation.

Initially, policy makers once in government in SA adopted the principle that economic growth would automatically lead to job creation and that industrial policy would follow trade policy guidelines. However, at least on discursive level, relevant shifts have occurred.

Another important debate impacting on trade policy is the role of the “**developmental state**” and what it means for the SA context. Labor, business and state have embraced this concept but confusion remains as constituencies make different use of the term.

1. Trade Policy Reforms: from import-substitution to export-led.

Trade openness was never seriously considered during and before the apartheid as a means of growth and employment creation.¹⁴ This approach changed as reintegration and competitiveness into the global economy became key priorities for the ANC government’s policy.¹⁵ Thus, trade reform initially meant a shift from an Import Substitution Industrialization (ISI) model to an approach which focused more explicitly on export promotion.

As part of the transformation of the country, the SA government had favoured in the 1990s unilateral trade liberalization. It might be tempting to see this as the result of external pressure, from the WTO, the IMF or the World Bank, for example. Indeed, external pressure was followed by a strong unilateral thrust in the ANC government’s trade policy. An example is the Department of Trade and Industry (DTI) enthusiastically embracing the “philosophy of free trade”.¹⁶

¹⁴ Alves and Edwards, 2009:83. The export-oriented mining sector was an exception.

¹⁵ Draper, 2007:243

¹⁶ Makgetka and van Meelis, 2007:101-102

External pressure alone is not, however, sufficient to explain the government's policy focus. Especially as tariff protection in many sectors of the country were reduced at a faster pace than was required under the WTO guidelines.¹⁷

Many developing countries adopted greater liberalisation as part of IMF and World Bank calls for structural adjustment programmes. In fact, the strongest liberalizers have been unilateral liberalizers that promoted free trade without much external pressure and with limited request for reciprocity. South Africa is one such case.¹⁸

By 2000, however, the political emphasis on unilateral liberalization had shifted. An initial belief that free trade in itself would stimulate growth gave way to a competitiveness strategy. This meant the State focused on promoting exports as the driver for growth and emphasized investments in infrastructure and skills.¹⁹

According to Alves (2009:158) the position that an efficient trade policy must be backed up by industrial policy goals is now visibly entrenched in the DTI and in the Presidency. This view can be supported by an analysis of some of the government programmes.

In 2005/06 a programme known as Accelerated and Shared Growth Initiative for South Africa (ASGISA) was launched. The document highlights the need to mainstream trade into the government's broader growth and development strategy and to ensure that trade policy is aligned with the country's industrial strategies policy framework.²⁰ This position is based on the assumption that trade policy alone is not sufficient to significantly reduce poverty.

In 2007 the DTI also launched the National Industrial Policy Framework (NIPF) and in 2010, the Industrial Policy Action Plan (IPAP). While the former outlines the policies, the latter deals with the implementation process. The IPAP is part of a larger set of inter-related policies aimed at addressing the decline in the industrial and manufacturing capacity with greater focus on a labor intensive growth path and, therefore, to promote mechanisms to reduce the high unemployment rate.²¹

¹⁷ Alves; Edwards, 2009:99

¹⁸ Sally, 2009:31

¹⁹ Makgetka and van Meelis, 2007:101-102

²⁰ WTO Policy Review, 2009:32

²¹ DTI, 2010b:1

The latest policy framework of key relevance is the “Growth Path” launched in 2010. It is headed by the Economic Development Department (EDD), a ministry created recently with the purpose of strengthening a labor-friendly voice among government’s policies. The mandate of the EDD is to place job creation as the main priority in the country.

The focus of the Growth Path is on infrastructure development, agriculture, mining, manufacturing, the "green" economy and tourism. Despite the EDD ministry being appointed with strong support of COSATU, disappointments are already expressed from both labor and business.

The trade unions complain about possible wage freeze in the private sector, the exclusion of public healthcare and education and other issues related to the public sector sphere. On the other hand, employers complain about too much state intervention.

In summary, trade policy is currently not considered the main instrument in accelerating overall economic growth or directing industrial policy – it is indeed the other way around.²² Nonetheless, as Draper and Alves (2009:1-4) point out, the government remains committed to the vision of openness and sustainable international competitiveness through liberalization and privatization. It is just that trade liberalization as a way to improve trade performance has been downgraded in the government priorities’ list.

SA appears to be in line with a global trend towards less unilateral liberalization. According to Sally (2009:10) there is nowadays less push for structural reforms as compared to the 1980s and 90’s Washington Consensus approach. This applies to the West and to most developing countries regions. The exception would be China with its liberalization process under the World trade Organization (WTO) accession. However, domestic political conditions in China for further liberalization are now more difficult.

²² Alves and Edwards, 2009:118

2. Reversing logics: focus on job creation and coherent industrial policy

Neo-liberal economic policies have promoted an increase in trade openness and liberalisation. It does not mean, however, that interventionist industrial policies have not completely disappeared. In some, countries industrial policy is still in practice, and examples can be found in East Asia, China, India and Brazil.²³

While mainstream economics today accept some policy interventions towards “macroeconomic stability, public provision of education, guaranteed property rights, and legal enforcement of contracts,” the promotion of specific industries remains undesirable.²⁴ This is part of a debate around “functional” and “selective” interventions. The first is not directed to specific activities, are market-friendly and thus desirable. The second is exactly the opposite; focuses on specific activities and is seen as undesirable industrial policy.²⁵

This debate is part of a common understanding from mainstream economics that governments are incapable of successfully “picking winners”, and that protected infants industry cannot survive. Moreover, governments are in essence corruptible and selectivity cannot be trusted.²⁶

The international institutions, such as the WTO, World Bank and IMF reinforce these kind of guidelines in relation to government interventions and thus make the climate for industrial policy even more hostile. While the WTO guidance prohibits selective interventions in the field of trade, the regional or bilateral agreements typically expand the range of disciplinary mechanism beyond the WTO spectrum.

On the financial side, the IMF structural conditionality not only deals with monetary and fiscal matters but reaches to trade and industrial policy as well.²⁷ Another area is intellectual property. The access and proper management of the technologies have been fundamental for countries to catch up.²⁸

²³ Haque, 2007:1

²⁴ Haque, 2007:3

²⁵ Lall, 2004:75-76

²⁶ Haque, 2007:3; Lall, 2004:76

²⁷ Rodrik, 2004:33

²⁸ Rodrik, 2004:35

There are certainly a number of constraints on government's capacity to implement industrial policy. In practice, the experience of successful developing countries today such as the East Asian Tigers shows that selective industrial policy can indeed work economically and politically.²⁹

In fact interventions in trade, industry and support institutions have played a critical role in industrialization through history. All major industrialized countries, especially the UK and the US, used extended protection and other selective measures to develop their industries when they were in catching positions.³⁰

The historical fact is that developed countries used virtually none of the policies that they have been recommending to developing countries.³¹ There might be differences across countries in relation to forms and emphasis of these policies but it remains unquestionable that they have used such instruments for development.³² Therefore Chang (2003) suggests that the developed countries are in effect "kicking away the ladder" by which they have climbed to the top.

Chang (2003:29) does not suggest that all developing countries should thus promote active infant industry promotion strategy like previous centuries. He does, however, highlight the importance of the historical aspect and the need to fully acknowledge that historically the vast majority of the successful countries used the opposite strategy in the process of industrialization.

In South Africa, industrial policy is currently at the forefront of public discourse. As shown in section 1. above, that was not the case in previous years. During Mbeki's presidential term (1999-2008) industrial policy was to follow the trade policy guidelines and other macroeconomic strategies. Today, at least on the discursive level, significant shifts have occurred towards the need for a cohesive industrial policy framework. It implies that trade policy would thus have to build from industrial policy based development strategies, and not the opposite.

It is not accurate to say that previous to Zuma's term (2009-today) there was no interventionist industrial policy in SA. There were indeed several interventions, most commonly in the automobile industry. However, they did not constitute a set of

²⁹ Lall, 2004:75

³⁰ Chang, 2003; Lall, 2004:75; Rodrik, 2004:37

³¹ Chang, 2003:21

³² Change, 2003:28

comprehensive guidelines and did not take the forefront of government's policies. The "add-on" style prevailed in this case.

The position was that once macroeconomic stability and economic growth were guaranteed, this would then "trickle-down" to job creation, and industrial policy would be elaborated on this premise. Job creation was thus seen as an outcome of certain macroeconomic policies.

The "trickle-down" effect proved to be ineffective and the current policy discourse in the country has placed job creation as the major issue on the agenda. Policies, such as industrial policy, have been thus strategically elaborated to meet unemployment concerns. President Zuma has publically announced that 2011 would be the year of job creation it would be on top of government's agenda.³³

The experience in SA of widespread deindustrialization shows the need for supportive policies that go well beyond the neoliberal consensus. According to Makgetka and van Meelis (2007:97-98) the policies need, most importantly, to support sectors that can create employment, especially agriculture, light industries and services.

During apartheid, the structure of SA's economy was very much focused on capital-intensive sectors (minerals, chemicals, and car manufacture) which did not create employment in a large scale. That meant that even when exports increased, its impact on poverty alleviation was limited.³⁴

What can then countries do, in face of the constraints and opportunities, to strengthen their industrial competitiveness in the international economic setting? Should they persist with liberalization and hope that free market forces will stimulate growth and better social conditions? What would be the role of government in stimulating industrialization?

In the neoliberal approach, the best strategy for all countries and in all situations is to liberalize. Economic liberalization is essentially in this context about the withdraw of the state from the economy and that regulation is left to market forces.³⁵

Integration into the international economy, with resource allocation driven by free markets, will let them realize their natural comparative advantage. This will in turn optimize dynamic advantage and allow countries to reach highest levels of growth.

³³ SouthAfrica.info (2011)

³⁴ Makgetka and van Meelis, 2007:97-99

³⁵ Buhlungu, 2010:4

In this approach, the only legitimate role for the state is to provide a stable macroeconomy with clear rules of the game and to guarantee essential public goods like basic human capital and infrastructure. The leading role should be given to private enterprise.

Contrary this proposition, COSATU claims that trade liberalization is not the solution to unemployment and poverty. It suggests that this approach has only strengthened the power of multilateral corporations; it has weakened the power of the state to direct industrialization and has led to national deindustrialization of the economy.

COSATU also suggests that job losses are actually caused by trade liberalization and the neo-liberal policies implemented in the country have worsened the situation by not being capable of boosting labor-intensive industry. The labor intensive sectors such as clothing-textile and agriculture became especially vulnerable.³⁶ It thus calls for a state interventionist approach for redistribution of resources and for the promotion of economic growth.

2.1. Assessment of COSATU's view

The previous session explored the shifts in the government discourse in relation to trade policy. At this stage, it is relevant to understand COSATU's view in this context and identify possible convergences of interests between labor and government.

COSATU's position on trade policy is broad. Their policy framework ranges from specific issues such as social clause to global solidarity. COSATU's view of trade policy is certainly defensive but in such a way that supports further south-south political and economic cooperation.

There is no interest in the continuous indiscriminate openness of the economy. This view is not only shared by the government but by COSATU and certain business sector such as manufacturing. As job creation is at the forefront, COSATU sees industrial policy to be fundamental in order to provide strategies to deal with global competition.

³⁶ COSATU, 2009; COSATU, 2010

There are different arguments that explain the reasons for the government to not support further nonreciprocal trade agreements. Since the ANC took office, the standard of living did not improve for many; several industries are collapsing because of global competition; and despite of financial stability, the level of job creation remains short of expectation. Therefore, it has become increasingly difficult to politically defend an agenda with the same prescription but yet, expect different results.

The shift of the priority list did not change without a pressure from the labor movement, especially from COSATU. That is not only because of several grass-roots activities of protest but also due to COSATU's use of institutionalize channels of social dialogue.

For a long time, COSATU had better policy expertise in economic issue than the ANC. However, once the ANC came to power an extraordinary proportion of the researchers engaged in trade issues have moved away. Many took over senior civil servant and policy advisory positions in the Department of Trade and Industry and other related government departments and programmes.³⁷ This certainly undermines to some extent COSATU's capacity to influence the minds and the hearts of government officials and in the public discourse as well.

Despite of such organizational constraints, COSATU has devoted considerable attention to trade issues. In order to push forward its interests, COSATU has adopted a multi-pronged strategy. In the field of trade and industrial policy, COSATU may act in different forums such as: ministries and the government bureaucracy, the ANC, parliament or the Chamber of Trade and Industry within the National Economic Development and Labor Council (NEDLAC).

Nedlac offers a formal consultation forum for representatives of business, labour, government and the community. It theoretically performs an important political function to the extent that it can build consensus between the four constituencies on the broad trade negotiations agenda.

From the early 2000, COSATU succeeded in gaining business and government support for tripartite work on sectoral approaches. The organization focuses on key areas such as mining, clothing and textiles, footwear and leather, information and communication technologies and the financial sector.³⁸

³⁷ Lewis; Reed;Teljeur, 2004:157 ;

³⁸ Makgetka and van Meelis, 2007:110 ; Draper and Alves, 2009:2

Furthermore, COSATU supports the government position that trade policy is an instrument of industrial policy and that tariff policy should be decided primarily on a sector-by-sector basis.

The support to certain sectors should be based on reciprocity. Firms support should follow certain prescriptions such as: skills development and training of workers, democratization of governance structure, local procurement, decent work, closing the apartheid wage gap, and participation in collective bargaining arrangements.³⁹

COSATU also claims that trade agreements should not undermine the capacity of developing countries to build a strong economic base. Therefore, they “*defend its right to maintain external tariff, quotas or other trade instruments that are judged necessary for the defense of jobs and the promotion of industrial development and diversification in this country*”.⁴⁰

Indeed COSATU believes that trade policy should support job creation and retention, and to promote domestic value-addition. They demand growth of industrial capacity, and to become less dependent on simply supplying raw materials to the industrialized world.⁴¹

In order to meet these demands, COSATU proposes to the government to “*discourage trade with countries which abuse worker and trade union rights, increase the efficiency of local producers, promote product diversification for consumers, and it must be based on consultation at NEDLAC.*”⁴²

According to COSATU (2006), developed countries continue to adopt protectionist measures while trying to secure market in developing countries by opposing the implementation of certain policy instruments by developing countries. This is one of the reasons why countries cannot come to a common ground in the WTO negotiations.

COSATU (2006) recognizes the danger of the government, in face of the break-down of negotiations, to accept the inevitability discourse of the conclusion of the Doha round. Instead SA must engage in building alternative solutions that are most suitable

³⁹ COSATU, 2009

⁴⁰ COSATU, 2006

⁴¹ COSATU, 2009

⁴² COSATU, 2009

for meeting the needs of the country. The engagement with South-South alliance in this in this pursue is strategically important.⁴³

As a defensive measure, they also decided “*to reject free trade agreements (bilateral or multilateral) that will lead to job losses, and work with unions elsewhere in the world to defeat attempts through WTO agreements to limit policy space for developing countries.*”⁴⁴ From this statement, it can be suggested that COSATU is not necessarily opposing all forms of further trade liberalization, but those who would cause job losses.

In relation to the social clause debate, COSATU argues that free trade agreements should have a social clause in order to avoid a race to the bottom. They are not very specific about strategies to do this but affirm that a “*fair balance between national interests and solidarity with the rest of the continent, and the global south in general balance*” should be achieved. It seems uncontested that a collective approach in this context is fundamental in order to avoid a race to the bottom. However, the most effective way of doing this is still a matter of dispute.

To summarize, there is a certain convergence of interests between COSATU and the government. Industrial policy has been given priority in the political arena as trade policy needs to be backed-up by a coherent industrial policy. The convergence might be related to the shift of presidency in 2009. Despite of the maintenance of the economic policies, certain issues have gained more emphasis in the government’s priority list.

⁴³ COSATU, 2006

⁴⁴ COSATU, 2006

3. The Developmental State in the SA context

There is considerable dissatisfaction with the perceived costs of liberalization, particularly by organized labor. This dissatisfaction has manifested itself in calls for greater trade protection and for a “developmental” state. COSATU believes that the “developmental state should intervene to build a socialist economy that is orientated towards meeting social needs.”⁴⁵

The SA economic policy (including trade policy) is currently framed within the idea of developmental state. The ANC and its trade union-allies tend to reflect on the developmental state with the achievements of the newly industrialized countries of Asia.⁴⁶ The model is usually characterized as “authoritarianism, government-business relations, industrial policy measures and an outward orientation.”⁴⁷

The Asian developmental states have indeed attracted the attention of SA state elites, and have come to occupy a prominent position in policy discourse in SA.⁴⁸ In the post-apartheid SA context the idea of a developmental state is part of a language used to connect especially with the poor and the unemployed.⁴⁹

The debate of developmental state is a deliberately strategy of the ANC. President Zuma tries to distance its mandate from neoliberal policies (but without radical economic transformation) by bringing to the front the interventionist role of the state.⁵⁰

The admiration over the cases of China, Vietnam and Malaysia, for example, is however often overemphasized by focusing mostly on positive aspects of this model of industrialization. According to Marrais (2001:340) the negative side of failures as seen for instance in the Phillipines, Thailand and Indonesia is often not emphasized in the literature.

The successful elements in the developmental states are usually related to the control of the economic development of the country with strong ties with business. If

⁴⁵ COSATU, 2009

⁴⁶ Marrais, 2011:339

⁴⁷ Qobo, 2009:55

⁴⁸ Qobo, 2009:55

⁴⁹ Qobo, 2009:60

⁵⁰ Ashman; Fine;Newman, 2010:24

business follows the economic guidelines established by the government, they receive support for higher productivity levels.

Thus, this kind of approach assumes an active industrial policy framework and a skilled bureaucracy capable of maintaining the state in the leading position and capable of disciplining not only business but civil society in general.⁵¹ The problem for trade unions is that this type of arrangement presents a very thin line between a developmental state and a predatory state. Marais (2001:341) points to the work of Peter Evans by suggesting that the problematic relies on the type of intervention adopted by the state and less with the extend of it.

It is quite debated in SA the issue of authoritarian approach in the context of a developmental state. The question often raised is to what extent can SA implement a developmental state inspired by the East Asian cases and most importantly, does it mean that state would have to necessarily adopt authoritarian measures and thus marginalizing labor? COSATU supports the idea of having the state in the forefront of economic planning but obviously rejects a state that relies on the technocratic and authoritarian measures. It is certainly a very complex balance to find.

To apply a model from East Asia in SA would be simply impossible. First because of historical context across countries varies. The capacity of the state to discipline business and labor is also different. For many, including Marais (2011:349), the capacity of the state in SA to be in the forefront is seriously challenged. Furthermore, the political engagement of civil society undermines state's push for extreme authoritarian approach.

⁵¹ Marais, 2011:340

3.1. Assessment of COSATU's view

COSATU mentions in its 2010 discussion paper the need to recognize the opportunities and constraints that a developmental state offers. However, there is a clear unbalance in COSATU's policy positions between desires and constraints. Much emphasis is on the former and the difficulties or possible limitations for implementing their agenda by the state are often neglected.

The debate about the capacity of the state of being able to meet their demands for instance is not in evidence from the policy papers consulted. In their view, the role of the state in the SA context is to act as the major variable for promoting growth by establishing a “*conducive political, legal and economic climate for private sector investment.*”⁵²

In order to do that, COSATU claims for an interventionist state in the economy especially in supporting labour-intensive activities. To name a few demands: the state should promote an expansionary macroeconomic policy, an active industrial strategy, the nationalization of strategic industries, the creation of other collective forms of ownership (worker control and cooperatives), the expropriation of land, investment in people and communities through education, skills development.⁵³

COSATU defends the idea that the state must discipline business when necessary. However, nothing is mentioned about discipline labor. That is because the state in COSATU's view needs to be working class-centered. The broader working class majority should be exercised across the state apparatus through a participatory democracy.

The state is a strategic centre of power and is classless and it “normally flows from the pattern of ownership of the means of production”. Therefore, COSATU believes that discussion of a developmental state must be firmly grounded in class analysis. It is believed that the states coordinate intra and inter class dynamics and that the state power guarantees access to national productive resources and the determination of its use.⁵⁴

⁵² COSATU, 2010

⁵³ COSATU, 2010; COSATU 2006b

⁵⁴ COSATU, 2010

On one hand, COSATU argues that the capitalist developmental state is incapable of properly assessing the working class dilemmas. It demands an urgent abandonment of the current macro-economic regime because it is believed that neo-liberalism is aimed at securing the interest of international financial capital, especially the one located in developed countries.⁵⁵ On the other hand, it calls for an interventionist role of the state.

Therefore, it is difficult to have a clear understanding of what COSATU exactly demands for and what kind of state they defend. It seems that COSATU is locked in the so-called “unhappy marriage”.⁵⁶ It means that COSATU maintains a discontent alliance with the ruling party but without many alternatives.

With the alliance, the debate about the role of the state tends to become ambiguous, not to mention confusing. While COSATU still defends a socialist agenda, it manages to work in practice “within capitalism” along with the ruling party. One of the major reasons for the persistence of this political arrangement lies in the interest to influence public policy.

As for now, COSATU seems to be considering a better or viable option to work with the government. COSATU insists that the state should have a stronger role in the economy. The state needs to assist capital in order to promote competitive industries and to boost job creation but the state should also discipline business when needed.

⁵⁵ COSATU, 2009

⁵⁶ Webster, 2007:4

4. Final Considerations

The liberalization in developing countries has been partly voluntary and partly driven by persuasion through international institutions. Some of these changes were initiated by developing countries disillusioned with early import-substitution industrialization strategies and also by a socialist alternative after the fall of the Soviet Union.

It is well known that trade has been one of the main transmission channels of the financial and economic crisis to developing countries. As a defensive mechanism, it is becoming increasingly recognized the need to embed private initiative in a framework of public action. The idea of a more active state that elaborates a comprehensive industrial policy is part of the understanding that market forces on its own are incapable of delivering better social standards for the majority.

This recognition is now particularly evident in those parts of the world, notably in South Africa, where market-oriented reforms were taken the furthest and the disappointment about the outcomes is correspondingly the greatest. The level of disappointment is even more evident among the working class. They are the most exposed to the negative side of unemployment, poverty and inequality. This is why the understanding of COSATU's perspective in this case is pertinent.

COSATU believes that economic policies based on neo-liberal paradigm only serve the interests of the capital and developed countries. They highlight the need for a different economic framework. In the pursue of alternatives, two important debates in the country were highlighted. The first concerns to assuring that job creation and comprehensive industrial policy are at the top of government's priority list; as opposed to the "trickle-down" effect of economic growth through trade liberalisation.

The SA government remains supportive of the market-led approach but the current industrial policy has incorporated to some extent this shift towards more reliance upon the state, and state intervention through industrial policy. In that case trade unions have been particularly active.

The labor movement in SA showed its strength by bringing Mbeki out of office and replacing it by one of its "people". In that case, Zuma ascension is seen as a symbol

of the labor movement capacity to bring about changes in power relations in the government.

As part of the call for changes in SA, the debate about developmental state also gained significant strength from both government and labor. Much emphasis is given by leftists about the kind of developmental state needed for SA. COSATU is not clear in its policies statements about the possible constraints to achieve this goal and the recommendations to overcome them. That is related to the state incapacity to place the state in the driver's seat of economy.

The whole debate of developmental states assumes an efficient state institutionally capable of actively intervene in the economy and in politics. If the apparatus is not available, it undermines the possibility of achieving that condition.

To conclude, there are convergences of some aspects of trade policy among labor and the ANC-led government. The first one relates to prioritizing industrial policy in detriment of unreciprocal free trade agreements. Trade policy needs to follow a comprehensive industrial policy and not the opposite.

The second issue refers to the role of developmental state. Both labor and government call for an interventionist function of the state in the economy. There are, however, some important aspects to note in relation to the role of the state. It is still unclear to what extent the developmental state is not simply a convenient term to use in order to bring the alliance between labor and government together.

Moreover, it remains to be seen whether the intention of having an interventionist approach in SA is simply part of a deliberately strategy of the government to legitimize its movements towards less civil society consultation.

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