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South Africa's "Developmental State" Distraction

Patrick Bond

Introduction

The African National Congress victory in the April 2009 elections was never in doubt, but what is of crucial importance for durable radical politics in South Africa was the prior, dramatic turn-out of the Thabo Mbeki faction of the African National Congress (ANC) by those loyal to Jacob Zuma, first at the Polokwane party conference in December 2007 and then from government in September 2008. Crucial as this is as a marker of ruling party instability, will it or will it not derail South Africa's faux "developmental state"?

Though it typically refers to the East Asian experience combining manufacturing-sector growth and diversification with authoritarian politics, I take this oft-abused phrase to mean — in the South African context — a combination of macroeconomic neoliberalism and unsustainable megaproject development, dressed up with rather tokenistic social welfare policy and rhetorical support for a more coherent industrial policy. Although finance minister Trevor Manuel was listed as fourth-highest ranked politician on the ANC 2009 electoral list, in turn signaling that his neoliberal economic policies would continue under president Zuma, there is nevertheless a potential shift leftwards on micro projects and the industrial side of economic policy. The man most often identified with grandiose, crony-capitalist, multi-billion, and export-oriented projects, Alec Erwin, resigned as public enterprises minister during the September 2008 Zumite political massacre of the leading Mbekites (curiously, Erwin was replaced by an ineffectual Mbekite, former justice minister Brigitte Mabandla, herself mired in various controversies). The former trade union strategist Erwin, who regularly proclaimed that in fact he remained a Marxist, had by then achieved a degree of public ridicule as the man most responsible for the Eskom electricity blackouts in early 2008.

To be sure, the rise of more genuine trade unionist and communist influence in the ruling party since 2006 may also shift substantial public resources towards pro-poor not pro-business projects, such as National Health Insurance. Moreover, not only are real interest rates down dramatically from the 1995-2005 double-digit levels (because inflation rose far faster than the nominal interest rate), but Trevor Manuel's February 2009 budget also went sharply into deficit (3.8 percent) after three years of surpluses. Still, we probably are safe in trusting Zuma when he swears to business leaders — such as officials of Merrill Lynch and Citibank, those bastions of sound economic practices — his intent not to relax the existing monetary and fiscal constraints. To illustrate, Zuma himself told one Los Angeles audience in December 2007,

> Some have said that if Zuma is in charge of the administration, it will move left because of his support from the trade unions, which are very left, and those from SA Communist Party … and therefore that the economic policies of the government will change. I had thought this was not a big issue but I am grateful that I have an opportunity to explain and would love to tell you, brothers and sisters, that nothing is going to change.[1]

Of course, the trajectory might yet shift if a major push from the left gathers momentum, as the economy continues shrinking in 2009 (the last quarter of 2008 witnessed a spectacular contraction in manufacturing, especially automobiles, and the first negative GDP growth in a decade). If that push runs out of steam and if cooption of key communist leaders into ANC and state leadership continues, as is far more likely, we will instead see a relegitimization of neoliberal macroeconomic and microdevelopment policies, with ongoing megaproject path-dependent waste and corruption. To illustrate, electricity and water are two state services facing worsening conditions of scarcity, which should be redistributed to low-income people for free in greater quantities, yet megaprojects are being built to allow large corporate users and wealthy white people inordinate access.

White elephant megaprojects should all be subjected to critical analysis. Regrettably, although concerns are often raised about both macro policies and micro projects, a fusion of red-green, rural-urban, labor-community, feminist, and anti-racist political forces required to halt these and pose alternative development strategies is not yet available. But several indicators

of struggle are, at least, hopeful.

Neoliberalism and Its Damage

Consider, first, eight areas of socioeconomic and environmental progress and problems that represent socioeconomic flashpoints in the post-apartheid era, resulting from either post-1994 policy or even deeper structural forces dating back decades.

- There was an immediate post-apartheid rise in income inequality, which was slightly tempered after 2001 by increased welfare payments, but which meant the Gini coefficient soared from below 0.6 in 1994 to 0.72 by 2006 (0.8 if welfare income is excluded).[2]
- The official unemployment rate doubled (from 16 percent in 1994 to around 32 by the early 2000s, falling to 26 percent by the late 2000s — but by counting those who gave up looking for work, the realistic rate is closer to 40 percent) as a result of imported East Asian goods in relatively labor-intensive sectors (clothing, textiles, footwear, appliances, and electronics) and capital intensive production techniques elsewhere (especially mining and metals).
- The provision of housing to several million people was marred by the facts that the units produced are far smaller than apartheid "matchboxes," are located further away from jobs and community amenities, are constructed with less durable building materials, come with lower-quality municipal services, and are saddled with higher-priced debt if and when credit is available.
- While free water and electricity are now provided to many low-income people, the overall price has risen dramatically since 1994, leading to millions of people facing disconnections each year when they cannot afford the second block of water consumption.
- The degeneration of the health system, combined with AIDS, has caused a dramatic decline in life expectancy, from 65 at the time of liberation to 52 a decade later.[3]
- The education system is still crippled by excessive cost recovery and fiscal austerity, leaving 35 percent of learners dropping out by Grade 5 (worse than neighboring Namibia, Lesotho, and Swaziland) and 48

percent by Grade 12, and, according to the most recent (2001) survey of schools, leaving 27 percent without running water, 43 percent without electricity, and 80 percent without libraries and computers.[4]

- Ecological problems have become far worse, according to the government's own commissioned research in the 2006 Environmental Outlook report, which according to the leading state official, "outlined a general decline in the state of the environment."[5]

- High crime was accompanied by an arms race — private security systems, sophisticated alarms, high walls and razor wire, gated communities, road closures, and boom barriers — that left working-class households more vulnerable to robberies, house-breaks, car theft and other petty crime (with increases of more than 1/3 in these categories from 1994-2001 and only slight declines since), as well as epidemic levels of rape and other violent crimes; additional corporate crime (including illicit capital flight) was generally not well policed, or suffered from an apparently organized penetration of the South African Police Service's highest ranks.[6]

The "developmental state" is meant to reverse these processes. However, given the abuse of funding directed at a few major white elephants now under construction, the reversal will last only as long as the artificial construction-sector boom.

- The Coega complex in Nelson Mandela Metropole (the old Port Elizabeth and Uitenhage), where massive amounts of electricity and water could one day be consumed in a new smelter (Alcan and subsequently Rio Tinto have in-principle commitments though by early 2008 these ebbed as electricity shortages became obvious).

- The Lesotho Highlands Water Project mega-dams (Africa's highest), which since 1998 have diverted Lesotho's water out of the Senqu River feeding the Free State water table, into the insatiable Gauteng industrial complex, especially for coal-fired power plant cooling and Johannesburg swimming-pool fill-ups (a third mega-dam is due for approval in 2009).

- The unnecessarily expensive new and refurbished soccer stadiums for the 2010 World Soccer Cup, which by early 2009 were a third over budgeted expenditure.

- The corruption-ridden R43 billion arms deal, which implicated a wide slice of both Zumite and Mbekite ANC factions starting at the very top.

- Pebble Bed Nuclear Reactors potentially costing hundreds of billions of rands, alongside hundreds of billions more rands spent on coal-fired power plants (notwithstanding South Africa's vast existing contributions to climate change through energy-related CO_2 emissions).[7]

- The R20 billion plus Gautrain fast rail network that will link Johannesburg, Pretoria, and the OR Tambo airport, affordable only to elite travelers.

Space constraints permit us to examine only one of these (Coega) in detail, below. Instead, fiscal resources could have gone to the base of society in a much more direct way, were it not for the broader neoliberal context. The early 2000s witnessed increasing optimism that the late 1990s emerging markets currency crises — including South Africa — could be overcome, and that the offshore relistings of most of the country's largest firms would not adversely affect growth. Indeed, by 2001, the rate of profit for large SA capital was restored from an earlier downturn from the 1970s-90s, to ninth highest among the world's major national economies (far ahead of the US and China), according to one British government study.[8] The reality, though, was that high corporate profits were not a harbinger of sustainable economic development, as a result of persistent deep-rooted contradictions.

- With respect to stability, the value of the Rand in fact crashed (against a basket of trading currencies) by more than a quarter in 1996, 1998, 2001, 2006 and 2008, the worst record of any major economy, which in turn reflects how vulnerable South Africa became to international financial markets thanks to steady exchange control liberalization starting in 1995.

- South Africa has witnessed GDP growth during the 2000s, but this does not take into account the depletion of non-renewable resources—if this factor plus pollution were considered, South Africa would have a net *negative* per person rate of national wealth accumulation (of at least $2 per year), according to even the World Bank.[9]

- South Africa's economy has become much more oriented to profit-taking from financial markets than production of real products, in part because of extremely high real interest rates, for from March 1995 (when the financial rand exchange control was relaxed), the after-inflation interest rate rose to a record high for a decade's experience in South African economic history, often reaching double digits (after a recent 3.5 percent spike during the mid-2000s, consumer and housing credit markets are badly strained by serious arrears and defaults).

- The two most successful major sectors from 1994-2004 were communications (12.2 percent growth per year) and finance (7.6 percent) while labor-intensive sectors such as textiles, footwear, and gold mining shrunk by 1-5 percent per year, and overall, manufacturing as a percentage of GDP also declined.

- The government admits that overall employment growth was –0.2 percent per year from 1994-2004 — but –0.2 percent is a vast underestimate of the problem, given that the official definition of employment includes such work as "begging" and "hunting wild animals for food" and "growing own food."

- The problem of excessive capital intensity in production — too many machines per worker — will probably get worse, for the Industrial Development Corporation (a state agency) forecasts that the sector with the most investment in the period 2006-2010 will be iron and steel, with a massive 24 percent rise in fixed investment per year, but sectoral employment is expected to fall 1.3 percent per year, in spite of — or indeed because of — all the new investment.

- Overall, the problem of "capital strike" — large-scale firms' failure to invest — continues, as gross fixed capital formation hovered between 15-17 percent from 1994-2004, hardly enough to cover wear-and-tear on equipment.

- Businesses did invest their South African profits, but not mainly in South Africa: dating from the time of political and economic liberalization, most of the largest Johannesburg Stock Exchange firms — Anglo American, DeBeers, Old Mutual, SA Breweries, Liberty Life, Gencor (now the core of BHP Billiton), Didata, Mondi and others — shifted their funding flows and even their primary share listings to overseas stock markets.

- The outflow of profits and dividends due these firms is one of two crucial reasons South Africa's current account deficit has soared to among the highest in the world (in mid-2008 exceeded only by New Zealand) and is hence a major danger in the event of currency instability, as was Thailand's (around 5 percent) in mid-1997.

- The other cause of the current account deficit is the negative trade balance, which can be blamed upon a vast inflow of imports after trade liberalization and which export growth could not keep up with.

- Another reason for capital strike is South Africa's sustained overproduction problem in existing (highly-monopolized) industry, as manufacturing capacity utilization fell substantially from the mid 80s percent range during the 1970s, to the high 70s percent range during the early 2000s.

- Corporate profits avoided reinvestment in plant, equipment, and factories, and instead sought returns from speculative real estate and the Johannesburg Stock Exchange: there was a 50 percent increase in share prices during the first half of the 2000s, and the property boom which began in 1999 had by 2004 sent house prices up by 200 percent (in comparison to just 60 percent in the US market prior to the burst bubble, according to the International Monetary Fund).

These deep, structural dilemmas have roots not only in post-apartheid liberalization, but in long-standing vulnerabilities associated with the apartheid-era economy. Because of liberalization of both trade (August 1994 onwards) and finance (from March 1995), the current account deficit is dangerously high (-10.4 percent expected for 2009) compared to peer economies. By early 2009, *The Economist* magazine judged South Africa the "riskiest" of 17 emerging market economies. The main troubles were the high current account deficit, but also low reserves and high short-term foreign debt repayments (third worst after Korea and Indonesia). Moreover, South Africa's "banks depend on borrowing, often from abroad, to finance domestic lending and so will be squeezed by the global credit crunch. … The rand, which has already fallen sharply, remains one of the most vulnerable emerging-market currencies."[10]

One reason, ironically, for low reserves and the threatening current account deficit, is a resurgent profit rate for South African corporations, which in turn is siphoned out via profit and dividend repatriation to the new offshore financial centers. Overall corporate profits are substantially higher, relative to employee wages, since the low point of the late 1980s. However, an ongoing problem is that manufacturing profits have fallen dramatically since the early 1980s in relation to financial and speculative profits. South Africa's export advantages are in a few areas difficult to maintain (and in some cases subject to dramatic price volatility), such as auto components, swimming pool filters, wines, coal, and base metals. Moreover, low rates of fixed investment persist, especially in the private sector, in part because excess idle capacity in existing plant and equipment. That, in turn, helps explain the very low level of Foreign Direct Investment, contrasting with dangerously high inflows of liquid portfolio capital attracted by South Africa's once-high real interest rate. None of these processes are healthy, and alongside extremely high price inflation in electricity and food (as well as petrol in the first half of 2008), will generate yet more social unrest, a topic we return to in conclusion.

Coega and the Underdevelopmental State

Consider in more detail an extreme but revealing case. Over the past decade, the South African government has begun shoveling what could be the country's largest-ever industrial subsidies into the Coega industrial zone complex and port, located about 20 kilometers from Port Elizabeth within the Nelson Mandela Bay Municipality (NMBM) area. The funding is going not only for Coega's electricity needs, which included the anticipated aluminum smelter and auto sector complex, but also the proposed R40 billion PetroSA refinery. State proponents say Coega represents sound industrial and development policy, but critics consider the project a "corporate welfare" giveaway replete with socially insensitive and eco-destructive features, especially noticeable as renewed attention is being given to climate change.

In his end-of-year 2006 e-zine message, Mbeki highlighted Coega as a prime example of "Milestones during the Age of Hope":

> [T]he leading aluminum company, Alcan, entered into an agreement about the supply of electricity that would make it possible for it to construct a huge aluminum smelter at the new Port of Ngqura/Coega. This was indeed another important piece of good news during 2006, given the sustained campaign that some in our country had conducted to present the new Port of Ngqura/Coega as the outstanding symbol of the failure and folly of our democratic government, led by our movement![11]

Coega, if not the outstanding symbol, is indeed one of several excellent examples of post-apartheid failure and folly, representing a nexus of crony

capitalism and negative environmental/climatic effects.[12] The enormous state subsidies flowing into the proposed smelter and to other corporate beneficiaries would better be directed to meeting vast unmet social needs in the Eastern Cape.

Replying in late 2006 to a critique I offered in the Durban newspaper *The Mercury,* Coega Development Corporation (CDC) chief executive Ongama Mtimka unwittingly supported the main line of criticism: "Cynthia Carroll's comment that Coega has the best infrastructure she has seen throughout the world affirms the competitiveness of the Coega Industrial Development Zone relative to its global counterparts."[13] A few weeks earlier, Carroll, as president and chief executive of Alcan Primary Metal, had negotiated a cut-price electricity deal for an aluminium smelter on behalf of the vast Canadian metals firm. She was soon thereafter made chief executive officer of Anglo American, showing that the infamous "Minerals Energy Complex" linking South African mining capital, the parastatal Eskom, and the Department of Trade and Industry had internationalized and dropped its purely patriarchal face. The cheap electricity arrangement was widely ridiculed.[14] As *Business Day* columnist Rob Rose put it,

> If Coega is the local equivalent of a ghost town, it is one with a peculiar twist: government built it for R7,5bn with no inhabitants, threw open the doors and not even a car guard pitched up. … Given the energy needs for the smelter, it might be the best thing if it were scrapped. After all, Alcan is being cut a special deal for the massive 1350MW of power it needs, through a bargain price with Eskom under the (bizarrely titled) "development electricity pricing programme." Aluminum smelters are particularly energy intensive, and 1350MW is enough to run a city and equal to nearly 4 percent of South Africa's entire 37,000MW capacity. But Eskom, being Eskom, is keeping the exact price it has given Alcan a secret. Earthlife Africa reasonably says the danger is that Eskom may be subsidizing a project that will create fewer than 1,000 fulltime jobs. … It is also thought that most of the aluminum produced by Alcan at Coega will be shunted into the export market, rather than being beneficiated in this country. In the 1950s, aluminum was dubbed "congealed electricity" given the large amount of power needed to produce the metal. Effectively, you could then argue that government is simply allowing Alcan to "export electricity" at a time when we won't exactly be overflowing with spare capacity.[15]

In addition to tailor-made infrastructure, including a R1 billion elite housing estate and a 20-meter deep port, the main attraction of Coega was to be ultra-cheap energy. Yet at the same time it was becoming clear that mismanagement of Eskom in the course of its own corporatization had left the company with inadequate investments and regular load-shedding (power supply failures) in early 2008. The US corporation AES was supposed to start building a major private power plant in Port Elizabeth to augment Eskom's supplies, but soon after hopes were raised, retracted its commitment. Eskom's record of sweetheart deals favoring a few huge corporate users included Lakshmi Mittal's steel mills (formerly Iscor), Anglo American's mining operations, and BHP Billiton's smelters.

Alcan, which was in the process of being purchased by Rio Tinto, had signed a quarter-century power supply agreement with Eskom that was estimated to be less than the R0.14 cents per hour that bulk industrial consumers typically pay. South Africa was already the world's cheapest electricity by far. Finally in 2008 it became clear that energy supplies were scarce and the aluminum market began to weaken, so Alcan's employees began to dismantle their operation. Indeed when in mid 2008 the six year commodity boom abruptly ended, the proposed takeover of Rio Tinto by BHP Billiton failed as the Australian firm faced financial crisis.

Until the electricity crisis, Coega's site was anticipated to include the smelter, a vast new port (which opened in late 2008), a container terminal, a petrochemical zone with a massive refinery operated by state-owned PetroSA, and an Industrial Development Zone (IDZ). Public investments of at least R12 billion were planned, including the R2 billion plus tax break for Alcan, in addition to enormous quantities of cheap land, water, and electricity. The new employment anticipated at the port and IDZ would be the most expensive, as measured by capital invested per job, of any in Africa. Whether or not the aluminum and additional manganese smelters are finally built, the environmental costs of the Coega projects in water consumption, air pollution, electricity usage, and marine impacts will be immense. The infrastructure under construction is unprecedented in Africa, and dwarfs any basic-needs development infrastructure that could serve the deprived citizens of Mandela Metropole and across the Eastern Cape.

Hence controversy has surrounded the decision-making process to construct the port and IDZ. Reports of conflicts of interest for key decision-makers cloud the project's governance. Adding to the controversy is the fact that Coega was initially meant to be a way in which European industrial firms involved in arms sales to South Africa could make "offset" investments that would create jobs, so government could justify to the public its corruption-ridden $6 billion weapons purchase. There are significant social

costs as well. Several hundred families were displaced to build Coega's infrastructure, and those in the area will bear the brunt of the environmental toll exacted by the project. The opportunity costs of Coega include as many as 10,000 jobs lost in economic sectors which either must close or cannot expand, including the existing salt works, mariculture, fisheries, agriculture, and eco-tourism, as shown in Table 1.

Table 1: Direct and opportunity costs of the IDZ and harbor[16]

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

* Impacts on agricultural production are long term, and therefore of a different nature to the other job losses.

Community and environmental activists have pointed to far better alternatives for employment creation and socioeconomic progress if such resources were used in different ways. In 2001, a civic group, the Mandela Metropole Sustainability Coalition, proposed an alternative economic development scenario to prioritize basic-needs infrastructure investment throughout the Eastern Cape and, at Coega, state-supported eco-tourism and black-owned small-scale agriculture and mariculture.

If plans had not been derailed by the global economic crisis, Coega would quickly have added dramatically to climate change, at a time when South Africa's carbon dioxide emissions are already running approximately 20 times higher than even the United States on a per capita income basis. Ironically, just as the ink was drying on Eskom's electricity giveaway to Alcan, environment minister Martinus van Schalkwyk returned triumphant from the November 2006 climate change treaty renegotiations in Nairobi, claiming that "South Africa achieved most of its key objectives." Those objectives included promoting "Clean Development Mechanism" (CDM) investments as mandated by the Kyoto Protocol's endorsement of carbon trading, which may factor into Coega's finances at some stage. By investing in Third World CDM projects that allegedly reduce emissions, northern polluters can buy the right to continue their emissions at present levels. Because Alcan had promised to use relatively energy-efficient technologies at Coega, the market-oriented United States organization, Environmental

Defense, suggested that the project be considered worthy of CDM investments by large international polluters, which would permit these polluters to continue present rates of emissions. There are vast problems with the new emissions trading system, and projects such as Coega show why this market should not be expanded in ways that generate new ecological problems without making a dent in overall emissions.[17]

University of Cape Town Environmental Studies Professor Richard Fuggle — one of the country's most respected environmentalists — attacked the expected increase in carbon dioxide emissions due to Coega in his retirement speech, describing van Schalkwyk as a "political lightweight … unable to press for environmental considerations to take precedence over development." According to Fuggle, "It is rather pathetic that van Schalkwyk has expounded the virtues of South Africa's 13 small projects to garner carbon credits under the Kyoto Protocol's CDM, but has not expressed dismay at Eskom selling 1,360 megawatts a year of coal-derived electricity to a foreign aluminum company. We already have one of the world's highest rates of carbon emissions per dollar of GDP. Adding the carbon that will be emitted to supply power to this single factory will make us number one on this dubious league table."[18]

What do Coega backers say to this kind of critique? In 2002, as Trade and Industry minister, Erwin described the analysis above as a "poorly prepared polemic designed to support your obvious opposition to this project. I would not make the above remarks if the document had any real merit. We have held a number of discussions with responsible environmental groups and will work with them very closely."[19] (Erwin's specific points were considered at length, and rejected, in analysis I coauthored with economist Stephen Hosking.)[20] CDC chief executive Mtimka's reply to this critique, published in *The Mercury*, addressed other considerations, related to corruption allegations:

> The argument that "public law and participation processes associated with the port and IDZ development have been unsatisfactory" is factually incorrect and is defamatory with respect to the character of the CDC. All due processes pertaining to the rollout of the project and investments were followed. … There is no evidence of conflict of interest for key decision-makers which "clouds the project's governance." This statement is malicious and undermines the integrity of the CDC based on unfounded allegations.[21]

The allegations are indeed serious. They include a conflict of interest of a key decision-maker, Achilles Limbouris, operations manager: Infrastructure

Development. Investigations led to his (apparently justified) firing by the CDC just two weeks before Mtimka's article appeared. Limbouris had "been in contact with a tenderer, Scribante Construction (Pty) Ltd … who had tendered for an R85 million construction contract … [and leaked] sensitive and confidential CDC information … to the external environment."[22]

But the problem is apparently far deeper, and involves offsets associated with the notorious arms deal, which permitted offset deals for the German submarine maker Ferrostaal for promised — though never materialized — Coega investments.[23] The Public Service Accountability Monitor became concerned when, according to director Colm Allan, "the Coega Project had effectively collapsed due to the withdrawal of Billiton as its anchor tenant."[24] What resurrected Coega, according to Allan, was then Defense Minister Joe Modise's "irregular agreement with the German submarine consortium on (13 June 1999) to purchase 3 submarines at a cost of R4.5bn in return for Ferrostaal's promise to construct a steel mill worth R6bn at Coega. … [Shortly afterwards, upon his retirement] Modise bought shares in and was appointed the chairperson of a company which has been awarded contracts to conduct work on the Coega project." According to Allan, although Modise passed away soon afterwards, other officials appeared to be milking the project, including Mafika Mkwanazi (then Transnet deputy managing director), Saki Macozoma (then Transnet managing director), and the chairperson of the CDC board, Moss Ngoasheng: "CDC is a private company which is issuing contracts to be met out of tax-payers' money. Yet, because it is a private company, the financial statements of the CDC cannot be audited by the Auditor General's office. Nor does the CDC have to comply with the strict financial reporting requirements set out in the Public Finance Management Act."[25]

In opposition to Coega, green activists including Earthlife Africa, Nimble, The Zwartkops Trust, The Valley Bushveld Affected Parties, and citrus farmers all mobilized. However, to alter policy decisions, what is needed is a more sustained campaign — joining environmentalists, labor, community, and other citizens — for *radically new industrial policies* that meet the society's needs, not the world economy's hunger for aluminum. In May 2007, coordinated protests were held against Alcan in Port Elizabeth, Richards Bay and Johannesburg. Earthlife Africa attempted to shed further light on the deals being done at Coega through a Promotion of Access to Information Act request to Eskom about the price of power, conditions of supply, and Alcan's potential to sell on unused electricity. The response, according to Earthlife Africa has been "a complete and utter stonewall in response to legitimate questions concerning South Africa's welfare and long-term energy supply."[26]

Finally in late 2008, what seemed to represent the last nail in the Coega coffin came from a surprising source: the publication of a hagiographical biography of the powerful finance minister, Trevor Manuel, by Pippa Green, the minister's former press secretary. A five page attack on Coega — starting with "You need your head read to think that's a good idea" (a quote from one of Manuel's senior officials) — turns the debate into one of fiscal responsibility (Manuel) versus socialism (Erwin). As public enterprise minister, Erwin tells Green that there was a basic ideological difference in economic theories: "Mine is basically Marxist and Trev's not a Marxist economist. Not because he's opposed to it, just that he's never studied it" (a point Green denies, using Manuel's decontextualised citation of a *Das Kapital* Volume Three quote against excessive state spending). Erwin allegedly is inspired by Bruno Bettelheim's *filiere* value-chain analysis in promoting Coega, hoping for backward/forward linkages for the aluminum.[27]

Conclusion

The surreal conflict over a South African "developmental state" would not be resolved through Coega's conflicted interests, crony capitalism, corruption, and crazy pseudo-Marxist theories of semi-peripheral capitalism bandied about inside the two most neoliberal economics ministries. Ultimately it was the world capitalist crisis that made the vast aluminum smelter unviable, and yet Zuma's team intends continuing with Coega (without the smelter for now) as well as most other aspects of the "developmental state" project, even including Erwin's massive expansion of nuclear energy.

Writing in 2007, Ben Fine remarked on the impoverished character of SA's development debate, but nevertheless expressed hope:

> The government has justified the sudden turn to the developmental state as always having been waiting in the wings once the economy was sufficiently stabilized and secure. In my view, this is a reinvention of the past decade's economic and social policy, a way of excusing the Growth, Employment and Redistribution policy while departing from it. But the rise of the putative developmental state is a rhetorical shift in the government signaling its belief that a job has been half done and conditions are now favorable for more interventionist policies.
>
> Second, of course, the politics of the rise of the developmental state is a matter of appeasing critics of the government's economic and social policies. In particular, there has been the failure to address high and worsening levels of unemployment and impoverishment while black economic empowerment has mainly flourished as a source of elite enrichment. …
>
> In short, I would give one cheer for the developmental state for its shift in policy framework, another cheer if it leads to more progressive and interventionist policies in practice, and a third and loudest cheer if it appropriately identifies, challenges and mobilizes the underlying economic and political interests that have precluded such policies in the past.[28]

It is always easy to cheer rhetoric in South Africa, where the tradition of "talking left" while "walking right" corresponds to the Fanonian critique of African nationalism. However, the harsh realities for ordinary South Africans are simply not disguised by the "developmental state" concept. Indeed, what these phenomena represent is a durable neoliberal regime that systematically worsens the plight of its people while adopting policies that benefit foreign-based capital, including the formerly locally-based white business elite. What we have seen from the case of Coega is that this approach is evident in megaproject design and implementation as much as it is in national policies.

Likewise, the only logical reaction — so far only a fraction of what is needed — is sustained social, indigenous, political-economic, and environmental opposition from civil society, given the lack of a left political party opposition to the ANC. South Africa probably has more social protests per person than anywhere in the world. In addition to more than 30,000 formal "gatherings" from 2004 to 2007, of which most were protests (and around 10 percent were "unrest-related" involving acts of violence), there are spontaneous protests not recorded by the police, at a rate estimated by independent researchers in Gauteng Province (between 2004 and 2007) to be more than 50 percent of all "service delivery" protests.[29]

Hence the Polanyian double-movement: excessive market interventions, economic crisis and crony capitalist relationships generating reactions from the trade union and communist center-leftists inside the ruling party's alliance, and dramatic protests by what is sometimes termed the "ultraleft" of independent civic forces outside. The future certainly holds renewed disgust for "developmental state" confusions, but it is not clear in what combination these might generate renewed insurgencies inside the Zuma project, or via the eventual launch of a serious workers' party, or simply in ongoing struggles of daily life against neoliberalism. These are the processes we must keep a close eye on, and offer our solidarity to.

[1] Christelle Terreblanche, “No changes, Zuma vows,” *Independent Online,* 9 Dec. 2007.
[2] Hilary Joffe, “Growth has helped richest and poorest,” *Business Day*, 5 Mar. 2008.
[3] See Pali Lehohla, “State of the World Population,” *Statistics South Africa*, 2004 <http://www.statssa.gov.za/news_archive/17sep2004_1.asp>, and CNN, “Life expectancy in Africa cut short by AIDS,” 18 Mar. 1999, <http://edition.cnn.hu/HEALTH/9903/18/aids.africa.02/index.html>.
[4] Salim Vally and C. A. Spreen, “Education Rights, Education Policy and Inequality in South Africa,” *International Journal of Educational Development* 26.4 (2006).
[5] “The State of our environment should remain under a watchful eye’ Government release the 2006 Environment Outlook - State of the Environment Report and urges that more work needs to be done,” 28 June 2007, *South African Government Information* <http://www.info.gov.za/speeches/2007/07062911151001.htm>.
[6] Ted Leggett, “Is South Africa’s Crime Wave a Statistical Illusion?” *SA Crime Quarterly* 1 (July 2002); also available at <http://www.iss.co.za/index.php?link_id=3&slink_id=1431&link_type=12&slink_type=12&tmpl_id=3>.
[7] A telling investment authorized by Erwin in 2008 was R4 million “to give the image of nuclear power in South Africa a makeover … Among other things, Freedthinkers is seeking to identify so-called ‘nuclear ambassadors’ to endorse nuclear power in communities and the business world … Parallel to the research in public perceptions was the development of a nuclear vocabulary in all eleven official languages. This would ‘ensure that public discourse on nuclear related issues is accessible to all South Africans.’” As anti-nuke Pelindaba Working Group coordinator Dominique Gilbert remarked less than two weeks before Erwin resigned, the Freedthinkers contract should be cancelled immediately with funding going to a public consultation process on future energy policy: Civil society organisations and NGOs have repeatedly called for an alternative energy solution to the country’s energy crisis in which uranium-fuelled nuclear energy is not involved, “in contrast to Erwin’s efforts” to push through what is increasingly looking like his private agenda”; see *SA Press Association*, “R4m for govt nuclear ‘research’ project,” 2 Sept. 2008. However, in spite of a formerly anti-nuclear interim president, Kgalema Motlanthe (ex-secretary of the mineworkers union), the PBMR funding remained in the 2008 budget.
[8] Laura Citron and Richard Walton, “International comparisons of Company Profitability,” *UK National Statistics Publication Hub*, Oct. 2002 <http://www.statistics.gov.uk/articles/economic_trends/ET587_Walton.pdf>.
[9] The World Bank, *Where is the Wealth of Nations?* (Washington, DC: 2006) 66.
[10] “Economics focus: Domino theory,” *The Economist: Electronic Edition*, 26 Feb. 2009 <http://www.economist.com/research/articlesBySubject/displayStory.cfm?story_id=13184631&subjectID=348918&fsrc=nwl>.

[11] Thabo Mbeki, “Letter from the President: 2006 – Some Milestones during the Age of Hope!” *ANC Today* 6:50 (Dec. 2006): 22-28.
[12] In addition to a variety of other white elephant projects noted above, we have seen ineffectual neoliberal macroeconomics, micro-neoliberal development disasters, rising unemployment and inequality, an AIDS policy described by many experts as”genocidal,” worsened environmental degradation, unprecedented debt-financed consumer materialism, widespread political corruption, real estate and stock market speculation, alliances with imperial powers (e.g. arms sales to the invaders of Iraq), arms sales to repressive regimes, failed multilateral trade and financial reforms, aspirant sub-imperialism (through the New Partnership for Africa’s Development), the government’s stifling of democracy in Zimbabwe, Swaziland and Burma, and rising state repression at home.
[13] Mtimka Ongama, “Only History will Vindicate Coega,” *The Mercury*, 28 Dec. 2006**.**
[14] Ben Fine and Zav Rustomjee, *South Africa’s Political Economy* (Johannesburg: U of the Witwatersrand P, 2006).
[15] Rob Rose, “Minister Has a Cheek Threatening Electricity Consumption Fines,” *Business Day*, 4 June 2007.
[16] Calculations by Steven Hosking and Patrick Bond, cited in Patrick Bond, *Unsustainable South Africa*, (London: Merlin Press, 2002).
[17] Patrick Bond, Rehana Dada and Graham Erion, eds., *Climate Change, Carbon Trading and Civil Society* (Pietermaritzburg: U of KwaZulu-Natal P, 2008).
[18] Richard Fuggle, “We are still Indifferent about the State of our Environment,” *Cape Times*, 6 Dec. 2006.
[19] Alec Erwin, “Criminal not to Develop Coega,” *Eastern Province Herald*, 1 Feb. 2002.
[20] Bond, *Unsustainable South Africa*.
[21] Mtimka, “Only History will Vindicate Coega.”
[22] Coega Development Corporation, “Coega Manager Dismissed over Misconduct,” press release, Port Elizabeth, 11 Dec. 2006.
[23] Terry Crawford-Browne, *Eye on the Money* (Cape Town: Umuzi, 2007).
[24] Colm Allan, “Coega, Conflicts of Interest and the Arms Deal,” *Public Service Accountability Monitor Report*, Grahamstown, Rhodes U, 24 July 2001.
[25] Allan, “Coega, Conflicts of Interest and the Arms Deal.”
[26] Earthlife Africa, “Eskom’s Secret Deal with Alcan: Refusal to Release Details,” press release, Johannesburg, 20 Feb. 2007.
[27] Pippa Green, *Choice, Not Fate: The Life and Times of Trevor Manuel* (Johannesburg: Penguin, 2008) 524-28.
[28] Ben Fine, “Looking for a Developmental State,” *Alternatives International* 12 (Sept. 2007) <http://alternatives-international.net/article1195.html>.

[29] Freedom of Expression Institute and University of Johannesburg Centre for Sociological Research, "National Trends around Protest Action," Feb. 2009, Johannesburg, 13.