South Africa's Mbeki in Paris, Says 'Free Market' Cannot Develop Africa

by David Cherry

The highpoint of South African President Thabo Mbeki's state visit to France from Nov. 17-19 was his address to the French National Assembly, in which he asked that international "structural funds" be established to help Africa develop. These, he said, would be like the European Union's (EU) structural funds for Eastern Europe, created in recognition that the "free market" cannot overcome the disparity in development between Eastern and Western Europe. Mbeki's proposal is welcome news from the head of sub-Saharan Africa's most important government who, until recently, appeared to think that the "free market" would indeed develop Africa.

But the proposal itself cannot work without the larger measures that deal with the looming global financial collapse—measures comprising a New Bretton Woods system premised on national banking, not on the dominance of privately-controlled central banks over governments.

Use Public Sector Infrastructure Funds

In his Paris address, Mbeki cited the spirit underlying the EU structural funds, saying, "Solidarity, economic and social progress, and reinforced cohesion were objectives all written into the Preamble of 1997's Treaty of Amsterdam," which established the funds.

He concluded, "Reason tells us that it was correct for the EU to decide to intervene in the less-developed regions within the Union, using public sector funds, since it was clear that the market on its own would not be able to solve the problem of underdevelopment.

"Reason therefore also tells us that in our approach to the challenge of African poverty and underdevelopment, we should apply the same correct reasoning. . . . Thus, we should repeat, using the words of the European Commission: 'Solidarity and cohesion should sum up the values behind the policy of the developed world towards Africa: solidarity, because the policy aims at benefitting citizens of a continent that is economically and socially deprived; while cohesion recognizes that there are positive benefits for all in narrowing the gaps of income and wealth between the poor of Africa and we, who are better off.'

"To free the 800 million Africans from poverty is to create great possibilities for the expansion of the world economy, for the benefit also of those who are better off."

Africa, Mbeki said, would work for its renaissance whatever the obstacles, but, "it will be extremely difficult for us to achieve this goal of social and economic renewal of Africa without the support of France and the rest of the developed world."

Mbeki had begun by telling the National Assembly that Africans "have a right to make demands on a nation [France] which cannot but be a great nation"; he ended by calling on France and the rest of the advanced sector to rise above their constraints and act as reason demands.

After the Iraq War, Disenchantment

After Bush and Blair went ahead with Dick Cheney's war on Iraq in March, Mbeki's government and part of the South African establishment quickly reoriented away from the Anglo-American powers. The government, knowing war would divert resources that could go toward African development, had extended itself to the utmost, in Baghdad and Washington and at the UN, to avert it.

Mbeki's immediate reaction to the war appears to have been a withdrawn, but pensive one. When Baroness Valerie Amos of the British Foreign Office came to South Africa for a week in early April, to repair relations damaged by the insistence on war, Mbeki refused to meet her. She only met with cabinet ministers. Mbeki declined to come to Washington for the June 24-27 U.S.-Africa Business Summit addressed by President Bush and Colin Powell; the Bush Administration wanted him there. He stayed home to receive French Foreign Minister Dominique de Villepin.

A shift in economic discussion seems to have followed. "What we need is a permanently stable and competitive exchange rate," but a managed one, South Africa's controversial investment analyst David Gleason wrote in Johannesburg's *Business Day* on May 29, thus rejecting the Washington-dictated floating rates policy. His idea is to keep the rand slightly weak relative to the dollar. He continued, "The best examples are provided by China and Japan. . . . The Chinese take a no-nonsense approach and they do not employ foreign advisers." It is not a new proposal from Gleason, but its prominence in a major Johannesburg business journal is new.

Only days later, on June 2, Peter Draper of the South African Institute of International Affairs authored an attack on South Africa's promotion of free trade in *Business Day.* Draper, formerly of the Department of Trade, wrote that efforts by Trade and Industry Minister Alec Erwin, to mobilize the support of South Africa's African partners in a bid to liberalize world trade, were not going to work, because "most African countries may have their own agenda, which favors protectionism." Promoting liberalization would only bring South Africa under suspicion, he wrote.

On July 9, the day President George Bush arrived in Pretoria for a visit Mbeki could not avoid, the South African President dropped his own bomb on free-market economics. The London *Guardian* carried his op-ed, "The Icy Ideological Grip," summed up in its teaser: "If progressive politics is to have any meaning, it must start from the reality that you can't overcome global poverty through reliance on the market." South Africa's neoliberal Democratic Alliance party was outraged that Mbeki should treat Bush in such a way. The op-ed marked perhaps the first international airing of Mbeki's Structural Funds idea. Nelson Mandela refused to meet Bush.

In a longer version of the article, appearing in the journal *Progressive Politics,* Mbeki recalled Charles Dickens' warning about the "dangers" of interfering with the market, in his novel *Hard Times.* Mbeki quotes him: "Surely there never was such fragile china-ware as that of which the millers of Coketown were made. Handle them never so lightly, and they fell to pieces. . . . They were ruined, when they were required to send laboring children to school; they were ruined when inspectors were appointed to look into their works; they were ruined, when such inspectors considered it doubtful whether they were justified in chopping up their people with their machinery. . . . Whenever . . . it was proposed to hold [a Coketowner] accountable for the consequences of any of his acts—he was sure to come out with the awful menace, that he would 'sooner pitch his property into the Atlantic.' This had terrified the Home Secretary within an inch of his life, on several occasions."

The Structural Funds Principle at Home

The next step occurred at the late-July Cabinet Lekgotla (Sotho for "meeting of leaders"). Mbeki summarized its decisions in his weekly letter in the online weekly of the African National Congress party, *ANC Today,* for Aug. 22-28. His government, he said, must organize a large-scale "resource transfer" from the country's "first-world" sector to its "third-world" sector, without trusting the lie of economic "trickle down" from one to the other.

Mbeki called this the *internal* application of the EU's structural funds principle. There has to be such a transfer, he argued, because the two sectors are structurally disconnected. But the government must sponsor capital formation in the country's advanced sector to make the transfer possible. Mbeki made the point in Paris that other African countries, not having an advanced sector, cannot do this.

Therefore, Mbeki said in *ANC Today,* we are going to put money into road, rail, and air transport; harbors; and other economic advances; to continue to put the country's first-world economy in the strongest position possible.

A part of this investment will doubtless come from the massive public works program intended to put 1 million unemployed to work. South Africa has perhaps 7 million unemployed, more than a quarter of the workforce. The program was announced June 7, in response to pressure from the Congress of South African Trade Unions. Workers will upgrade and maintain rural and municipal roads, municipal pipelines, stormwater drains and paving, fencing of roads, community water supplies and sanitation, government buildings, housing, schools and clinics, rail and port infrastructure, and electrification.

The South African Cabinet has also addressed another fundamental economic issue by approving a national program for treating HIV/AIDS sufferers, that includes free anti-retrovirals. The program, instead of pulling money from other health needs, will devote more than half of its money to upgrading health infrastructure and recruiting and training of thousands of health professionals.

The Ugly, Larger Picture

Before leaving France, Mbeki called his visit a success, saying, "There is a consensus across the political spectrum in support of that strength of partnership with South Africa and in support of that partnership with regard to meeting the African challenges." He had indeed met with political leaders across the political spectrum. And, business deals were signed amounting to tens of millions of dollars.

But there is a larger picture that casts a pall over these hopes and plans. The ballooning growth in the U.S. current account deficit, now $550 billion annually, and the real estate and derivatives bubbles, portend an era of global economic misery that national and European investment policies alone cannot defend against. There must be a break—not negotiations—with the institutions of the IMF/central bank/floating-rates system.

How can Europe be expected to help Africa on the necessary scale if it won't help itself by leading away from the Bretton Woods policies? Just before Mbeki's visit, on Nov. 11, the European Commission rejected the Tremonti Plan for a dramatic increase in infrastructure investments, by cutting it to a mere $12 billion per year.

Will France even support Mbeki's proposal? President Jacques Chirac's comments at the state dinner for Mbeki, and at a joint press conference, were not in tune with it. Chirac praised the growth of South Africa's service sector and spoke of a fairer globalization that provides a place for everyone.

And the French press—Agence France Presse, *Le Figaro,* the Communist Party's *L'Humanité,* and the rest—declined to report that Mbeki had made a proposal of such significance for infrastructure investment in the Third World.