



An AngloAmerican advert in South Africa.
Credit: Nataly Reinch/Bigstockphoto.com

Expert Comment

Citizens, states, corporations, and nature: EU-South Africa conflicts flare

Patrick Bond (2019)

Copyright © 2019 by Dialogue of Civilizations Research Institute

The right of Patrick Bond to be identified as the author of this publication is hereby asserted.

The views and opinions expressed in this publication are those of the original author(s) and do not necessarily represent or reflect the views and opinions of the Dialogue of Civilizations Research Institute, its co-founders, or its staff members.

All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other noncommercial uses permitted by copyright law. For permission requests, please write to the publisher:

Dialogue of Civilizations Research Institute gGmbH
Französische Straße 23
10117 Berlin
Germany
+49 30 209677900
info@doc-research.org

Citizens, states, corporations, and nature: EU-South Africa conflicts flare

Patrick Bond

In sharp contrast to both xenophobic political and neoliberal economic trends that have emerged across both Europe and South Africa, the continent's greatest economist, John Maynard Keynes (1933), offered one of the most generous of formulas: "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."

Dating to battles against slavery, colonialism, and apartheid, South Africa is a good case to test the Keynesian thesis that we should welcome the globalisation of (free) people and oppose the globalisation of capital. Europeans' slavery of Africans was a standard mercantile-era route to capital accumulation. The Dutch East India Company (led to Cape Town by Jan van Riebeeck in 1652) and Cecil John Rhodes' British South Africa Company were dominant colonising firms of their day. Rosa Luxemburg (1913) developed her theory of imperialism – one focusing on capitalist/non-capitalist super-exploitation – by reading John Hobson's (1902) reporting from South Africa (Bond, 2019).

British rule was transferred to Pretoria in 1910, but was sustained in the neighbouring countries Lesotho, Botswana, and Swaziland until the mid-1960s, while Portuguese control of Mozambique and Angola ended in 1975, Zimbabwe won independence from Britain and local Rhodesians in 1980, and German colonisation of Namibia was transferred to South Africa from 1918 until its independence in 1990.

South African apartheid was, in its most obnoxious legal-racial form, only overthrown a quarter century ago, yet economic injustices immediately worsened, including poverty (now 65% of the population using the standard measure) and unemployment (consistently between 35-38%). Neoliberal policies were imposed on Nelson Mandela's government at the behest of Western powers (including European states) and domestic business during the 1990s. Once foreign debt rose rapidly in the early 2000s, the main disciplinary force was international finance (including European banks), as represented by credit ratings agencies. But activists have fought back, with sometimes spectacular successes, as we can see in the mixed review below: top-down, often explicitly corrupt market penetration and bottom-up resistance, in the manner Karl Polanyi (1956) suggested was a 'double movement'.

Ending apartheid

During the Cold War, non-Western foreign states, notably the Soviet Union and Cuba (and to a lesser degree China), and in Africa, especially Mozambique, Angola, Zimbabwe, Zambia, and Tanzania, along with European outliers Sweden and Norway, were instrumental in aiding South Africa's liberation movements. But as Gothenburg sociologist Håkan Thörn (2006) has shown, European people's movements were also vital, promoting sanctions and corporate divestment so as to delegitimise the apartheid regime.

In contrast, most European states were apartheid's economic allies, and their leading banks and firms enjoying lucrative investments and trade (Seidel, 1986). The main multilateral institution influenced by Europe was the International Monetary Fund (IMF), a financier which gave the apartheid regime generous credits, notably when Pretoria had trouble repaying debt in 1976 after the Soweto uprising and in 1982 after the gold price crashed. As transition to democracy neared, IMF Managing Director Michel Camdessus drew Mandela into the world financial system with a \$850 million credit in December 1993, in part so that his new government would repay \$25 billion in inherited apartheid debt. That

loan is often cited as one of the 'Faustian pacts' that locked in subsequent neoliberal policies (Kasrils, 2017; Shivambu, 2015; Terreblanche, 2012), in spite of a growing Jubilee South Africa movement calling for its repudiation.

The majority of South African society and their international allies had called for sanctions since the early 1960s, so as to cripple the racist economy. This was accomplished in mid-1985 once Western banks came under massive popular pressure to pull out of South Africa. After they recalled billions' worth of short-term loans to major Johannesburg firms, prime minister PW Botha declared a temporary foreign-debt default, closed the stock market, and imposed exchange controls to halt massive capital flight.

In early 1986, the former Swiss central banker Fritz Leutweiler put together the bailout coalition that restored Pretoria's credit lines, against the anti-apartheid movement's entreaties not to. Nevertheless, the spectacular success of sanctions had decisively split white business – mostly English-speaking – from the white regime – mostly Afrikaners. The leading South African corporations finally recognised the ANC as the legitimate representative of the majority and opened up discussions in 1985-89, before Mandela was freed from 27 years behind bars in 1990 (Bond, 2003).

The society's memory of who were apartheid-era friends and who were enemies will endure in the South African consciousness for decades still to come. Today, Swiss and German banks continue to face accusations of having facilitated pre-1994 arms and oil deals against United Nations General Assembly orders, and an 'Apartheid Debt and Reparations Campaign' continues, based in Basel (van Vuuren, 2017; People's Tribunal on Economic Crime, 2018). Strong resentment remains against that era's European right-wing political elites, particularly Margaret Thatcher and Helmut Kohl, as well as the many corporations and banks that continued to do business throughout the apartheid era, giving the Pretoria regime a longer lifespan.

But while Mandela's African National Congress (ANC) eschewed reparations – demands to repay democratic South Africa the corporate profits made illegitimately during a UN-certified crime against humanity – nevertheless, more recently, fresh tensions have risen with the West. Senior ANC leaders have repeatedly alleged that, thanks to kith-and-kin ties to white settler-colonists, the West still poses a threat to majority-ruled South African sovereignty, as well as to the prosperity of the Brazil-Russia-India-China-South Africa (BRICS) bloc which Pretoria was invited by Beijing to join in 2010.

Ending corruption

After taking power from Jacob Zuma in a February 2018 ANC palace coup, Cyril Ramaphosa – a pro-Western business tycoon – has very slowly attempted to clear away corrupt 'Zupta' (Zuma plus Gupta) elements riddling state and parastatal agencies. The three Gupta brothers, immigrants from India, worked relentlessly with Zuma over at least a decade to generate a patrimonial empire reaching deep into Indian, Russian, and Chinese networks of corporate malfeasance. The Zupta cancer also sickened the local operations of opportunistic Western firms including McKinsey, KPMG, Gartner, Bain, SAP, and Liebherr.

Ramaphosa is moving gingerly, in part so as not to disrupt the party's fragile unity ahead of the coming election in May 2019; moreover, his own ties to local and global corruption were revealed in the 2017 Paradise Papers and by investigative reporters at *amaBhungane*. The result is geopolitical schizophrenia: on one hand attempting to attract more Western investment, Pretoria nationalists also deploy anti-imperialist rhetoric on the other hand.

On 3 February 2019, foreign minister Lindiwe Sisulu read a front-page report in the main Sunday newspaper (Munusamy, 2019) which cited a memo written by the Pretoria-based ambassadors of five Western powers: the US, Britain, Germany, the Netherlands, and Switzerland. The five had, seven months earlier, penned a policy 'non-paper' that

merely reminded Ramaphosa about the rule of law, transparency, accountability, “policy certainty, regulatory certainty and regulatory clarity”. Concern was also expressed about black empowerment investment requirements in mining and telecommunications, as well as Pretoria’s extremely vague land-reform programme, and a desire was expressed that visa restrictions for skilled immigrants working for Western firms be relaxed.

The reaction by Sisulu, in a press statement within hours of the newspaper report, was fury. She issued a “démarche to the concerned ambassadors” and dressed them down. To be sure, the five diplomats support home-based multinational corporations which have a very poor record of economic practices in South Africa, as discussed below. And London, Amsterdam, and Zurich remain notorious hot money centres for illicit financial flows. The impression was left that hypocritical Western elites were violating South African sovereignty with their memo; in an election year, Sisulu’s willingness to rebut the ambassadors publicly was a successful populist gesture.

As a rule, African nationalists readily fuse long-standing public hatred against international financial discipline, Western corporations, and neo-colonial military power, a point Frantz Fanon (1963) identified as useful for rabble-rousing, and something at which Zimbabwe’s 1980-2017 leader Robert Mugabe excelled (Bond and Manyanya, 2003). Pretoria has often expressed anti-EU sentiments in relation to Economic Partnership Agreements (EPAs) and Bilateral Investment Treaties (BITs) (Claar, 2018). In 2014, South Africa exited many of these, especially those with European states, in part because of a desire to retain sovereignty over a (dubious) racial remedy for economic inequality: enforced racial co-ownership (Mbeki, 2009).

Talk left, walk right

But anti-imperialist rhetoric is often not what it seems (Bond, 2006). As Pretoria's main bureaucrat wrote at the time, "All foreign investors are protected irrespective of whether a BIT exists between their home country and South Africa. The draft bill also embeds non-discrimination by providing national treatment for all foreign investors" (de Gama, 2014). And at the World Trade Organization and in related investment treaties, South Africa generally supported the core EU stances, and Western-sourced Foreign Direct Investment was desperately sought by Pretoria, in spite of growing evidence of transfer pricing, misinvoicing, and other tax dodges costing an estimated \$20 billion annually from 2004-13 (Global Financial Integrity, 2015). To be sure, BRICS firms have become even more extreme practitioners, especially in Africa (Bond and Garcia, 2015).

In the realm of international finance, in spite of initial, false claims that the BRICS New Development Bank and Contingent Reserve Arrangement would offer an alternative, the Bretton Woods institutions and parallel private financiers remain dominant; moreover, South African leaders typically assist in their legitimation (Bond, 2005 and 2016). The IMF's 2015 vote restructuring allowed BRIC countries' share to soar – e.g., China's grew by 35% – while most African countries experienced dramatic declines – e.g., Nigeria's share fell by 41%.

In relation to multilateral environmentalism, at the United Nations Framework Convention on Climate Change annual conferences and Johannesburg's 2002 World Summit on Sustainable Development (Bond, 2002), Pretoria allied with EU officials – and the corporations they serve – by endorsing a 'neoliberal-nature' strategy. The most important of these, the Paris Climate Agreement, codified what are utterly inadequate emissions cuts, and worse, contained no binding provisions or accountability structure, plus a prohibition on affected countries claiming a climate debt from the high-emissions countries – which include most EU members and South Africa (Bond, 2012 and 2016).

Within all these vital multilateral institutions, South Africa is more accurately considered a sub-imperial, not an anti-imperial power (Bond and Garcia, 2015). But against such top-down relations there are bottom-up resistances in the spirit of Polanyi's (1956) double movement.

European-SA civic internationalism against EU-SA corporations

The late Samir Amin (1990) and other African political economists have long argued for an ideology and economic strategy of partial 'delinking' from the most destructive circuits of capital. Today this represents a sound short-term economic strategy, at a time when the rates of trade growth (especially shipping), Foreign Direct Investment and North-South financial commitments, and aid are stagnant or even shrinking, especially since most of the non-electronic 'global flows' peaked in 2007 (McKinsey Global Institute, 2019).

With European allies, South African civil society took up this delinking strategy after 1994 with a variety of campaigns against Western (and later, BRICS) corporations. They illustrate moral outrage and concrete power gathered at the grassroots, and transmitted from South Africa to northern allies.

The most inspiring example of this approach was the 1999-2004 struggle for generic AIDS medicines, once costing \$10,000/year per person when branded by Western multinational corporations, but now supplied free on a generic basis. Thanks in part to a combination of international alliances involving the Treatment Action Campaign – including Europe's *Medicins sans Frontieres* and Oxfam (as well as militant activists in groups like the US-based AIDS Coalition to Unleash Power, ACTUP!) – an audacious demand was advanced: tens of millions of low-income people, mostly in Africa, would be given free AIDS medicines through the public sector (Bond, 2014).

Thanks to extraordinary local and international activism, as well as the Brazilian government's good example and Indian generic production capacities, Intellectual Property

on essential medicines to combat pandemics was ended. In 2001, the World Trade Organization's Doha summit allowed for generics and the result was a dramatic subsequent rise in life expectancy: in South Africa alone, from 52 in 2004 to 64 in 2018.

In the same period, resistance rose to three European firms – Suez, Vivendi, and Biwater – which aimed to commercialise South Africa's municipal water systems, starting in Johannesburg where Suez held the main management contract from 2001-06. They were expelled in part because of strong countervailing power in Soweto and from French civil society activists, as part of a global push-back against municipal services commodification. Although problems remain, the activists also won a guaranteed free basic water supply of 25 litres per person per day (Bond, 2002).

At the same time, a civil society critique of Pretoria's \$5 billion arms deal included tough critiques of European firms BAE Systems, Thales, Siemens, Saab, and others accused of corrupting ANC leaders. The pressure was maintained at a sufficient level such that even twenty years after Thales' bribery of Zuma (as was revealed in encrypted faxes), the former president faced 783 counts of corruption in 2019.

Widespread fraud was also associated with the Zurich-based soccer empire FIFA, whose top officials compelled South Africa's World Cup Local Organising Committee to pay a \$10 million bribe as part of hosting the 2010 games. Top FIFA officials were arrested in 2015 by Swiss and US authorities. But a full accounting of the various ways South Africans protested numerous aspects of FIFA's predatory rules would run into numerous pages (Smith, 2015).

A more recent case in which a European corporation attempted to make profits at the expense of an outraged South African society, and was repelled in the process, is the Austrian firm Kapsch TrafficCom, which runs the electronic tolling system for highways in the greater Johannesburg region. Trade unions and a middle-class consumer-rights network

(the Opposition to Urban Tolling Alliance) began a formal boycott of Kapsch's e-tolling system, achieving an 80% non-payment rate.

In mid-2018, another Austrian construction firm, Strabag, was told by community activists near the Indian Ocean's 'Wild Coast' to halt work on the country's highest bridge (the Mtentu bridge), and in January 2019, following sustained protests, cancelled its role in the massive project, which ground to a halt.

In the most decisive punishment of a European firm by anti-corruption activists, in mid-2017, the British public joined infuriated South Africans to destroy a London public relations company, Bell Pottinger, whose exploits on behalf of the Gupta family included creating twitter bot armies and memes to distort local politics. Within weeks it was pushed into bankruptcy.

Another European company which faced intensive criticism and prosecution for engagement in systemic fraud through the same networks is the German software firm SAP. The Guptas also used bribery-related services of Swiss firm Liebherr when providing cranes for Durban's harbour in 2015-16. Indeed, port deepening at the same berths was halted in late 2018 when it transpired that Italian firms CMC di Ravenna and CMI Infrastructures were implicated in tendering irregularities. The entire Transnet expansion has been opposed by the South Durban Community and Environmental Alliance, working with numerous European allies, including against Italy's ENI and Norway's Statoil for their offshore gas drilling plans.

In a case with enormous symbolic value, the Swedish clothing retailer H&M was criticised strongly in 2018 for racist use of a 'coolest monkey in the jungle' logo advertised by a young black child in an ill-advised marketing campaign; Johannesburg shop protests by a leftist political party, the Economic Freedom Fighters, forced the firm to repent.

But the most controversial firms are mining houses. High-profile British 'Foil Vedanta' solidarity continues against London investors in Vedanta, whose leader Anil Agarwal is the

largest shareholder (more than 20%) in Anglo American. For most of its century-long existence, Anglo was based in Johannesburg and grew to become the continent's biggest mining house and main apartheid beneficiary. Another target was the titanium firm MRC, based in Perth but with a London owner who came under fierce criticism by activists in 2017.

Without doubt, the highest-profile global corporate target has been London-based Lonmin, after it called on the South African Police Service to end a wildcat strike at its Marikana platinum mine in mid-2012, resulting in a massacre of 34 workers (Desai, 2014). The key individual who ensured that the police force would use a "more pointed response" against workers – in prior conflicts with the miners, round rubber bullets were used – according to emails he sent the police minister Nathi Mthethwa 24 hours before the police killings, was the main local owner of Lonmin: Ramaphosa. It is a relationship that will adversely affect him for the rest of his life. Campaigners also consistently attacked German firms BASF and Volkswagen, which purchase Lonmin's platinum output (Becker et al., 2018).

And in 2017, 17 international and local banks were charged with manipulating the South African currency, including European institutions Barclays, Barclays Capital, BNP Paribas, Commerzbank, Credit Suisse Group, HSBC Bank, Investec, and Standard Chartered; in February 2019, the latter paid a \$40 million fine under the U.S. Foreign Corrupt Practices Act (FCPA), although not to South Africans.

Beyond anti-corporate to pro-commoning politics

It is ironic and tragic that the firms above – and others like Hitachi which bribed the ruling party and in 2015 paid a \$19 million fine – are most effectively prosecuted under the FCPA, so no proceeds go to South African victims. The World Bank's 'Integrity' office – led from 2008-17 by a controversial South African, Leonard McCarthy – has debarred hundreds of European and South African firms guilty of fraud on Bank projects – albeit not Hitachi. Yet

neither European nor South African state capacities and political will appear sufficient to discipline these malevolent influences. For example, the OECD's guidelines on illicit financial flows are merely tokenistic, unable to halt London bank fraud.

And while European competition law has successfully targeted one South African drug company – Aspen – for price gauging on cancer medicines in Italy, systematic EU-South African corporate corruption has not become the scandal these incidents suggest it should be. After all, Johannesburg is considered the world's leading hub of corporate crime, according to biannual surveys by PwC (2018), with Paris usually second or third. The World Economic Forum's (2017) *Global Competitiveness Report* rated the South African working class the least cooperative in the world from 2012-17. Inequality is the highest on earth in South Africa according to the World Bank (2017), while Johannesburg is the world's most unequal major city according to *Euromonitor* (2017).

In short, all the conditions that appear ripe for an anti-corporate revolt are in place and, unlike in the West – and Brazil and the Philippines – there is no right-wing populist leader and movement to distract South Africa's political attention. As for allies, the historical links between South Africans fighting for economic justice and Western internationalists are much more developed than with logical allies in the other BRICS. But the overarching problem here – and everywhere – remains: fragmentation and single-issue politics. This legacy, as much as that of ongoing European elite oppression of South African people and nature, remains to be overcome, in the spirit of Luxemburg, Keynes, Polanyi, and Amin.

Patrick Bond

Professor of Political Economy, University of the Witwatersrand Wits School of Governance

References

- Amin, S. (1990). *Delinking*. London: Zed Books.
- Becker, B., Grimm, M., and Krameritsch, J. (Eds.) (2018). *Zum Beispiel BASF*. Vienna: Mandelbaum.
- Bond, P. (2002). *Unsustainable South Africa*. London: Merlin Press.
- Bond, P. (2003). *Against Global Apartheid*. London: Zed Books.
- Bond, P. (2005). *Fanon's Warning*. Trenton: Africa World Press.
- Bond, P. (2006). *Talk Left Walk Right*. Pietermaritzburg: University of KwaZulu-Natal Press.
- Bond, P. (2012). *Politics of Climate Justice*. Pietermaritzburg: University of KwaZulu-Natal Press.
- Bond, P. (2014). *Elite Transition*. London: Pluto Press.
- Bond, P. (2016). BRICS Banking and the Debate over Sub-Imperialism. *Third World Quarterly*, 37(4), pp. 611-629.
- Bond, P. (2019). Luxemburg's Critique of Capital Accumulation, Reapplied in Africa. *Journal für Entwicklungspolitik*, 36(1). Retrieved from <https://www.mattersburgerkreis.at/site/de/publikationen/jep/vorschau>.
- Bond, P. and Garcia, A. (Eds.) (2015). *BRICS*. London: Pluto Press.
- Bond, P. and Manyanya, M. (2003). *Zimbabwe's Plunge*. London: Merlin Press.
- da Gama, M. (2014, April 1). Draft Bill no Threat to Foreign Investors in South Africa. *Business Day*. Retrieved from <https://www.businesslive.co.za/bd/opinion/2014-04-01-draft-bill-no-threat-to-foreign-investors-in-south-africa/>
- Desai, R. (2014). *Miners Shot Down*. Johannesburg: Uhuru Films. <https://www.youtube.com/watch?v=EN199WpXBmU>.
- Euromonitor* (2017, October 31). Income inequality ranking of the world's major cities. Retrieved from <https://blog.euromonitor.com/2017/10/income-inequality-ranking-worlds-major-cities.html>.
- Fanon, F. (2003). *The Wretched of the Earth*. Boston: Grove Press.
- Global Financial Integrity (2015). *Illicit Financial Flows from Developing Countries*, Washington, DC. Retrieved from <http://www.gfintegrity.org/report/illicit-financial-flows-from-developing-countries-2004-2013/>.
- Hobson, J. (1902). *Imperialism*. New York: James Pott & Co. Retrieved from <https://webhost.lclark.edu/campion/core107/docs/02hobson-imperialism.doc>.
- Keynes, J.M. (1933). National Self-Sufficiency. *Yale Review*. Retrieved from <http://www.panarchy.org/keynes/national.1933.html>.

- Luxemburg, R. (2003 [1913]). *The Accumulation of Capital*. New York: Routledge.
- Mbeki, M. (2009). *Architects of Poverty*. London: Central Books.
- McKinsey Global Institute (2019). *Globalization in Transition*. New York: McKinsey&Company.
- Munusamy, R. (2019, February 3). World Powers Warn SA to Act on Graft. *Sunday Times*. Retrieved from <https://www.pressreader.com/south-africa/sunday-times-1107/20190203/281505047456774>.
- People's Tribunal on Economic Crime (2018). Press release. Johannesburg. <https://corruptiontribunal.org.za/>.
- Polanyi, K. (1956). *The Great Transformation*. Boston: Beacon Press.
- PricewaterhouseCoopers (2018). *Global Economic Crime Survey*. Johannesburg. <http://www.pwc.com/gx/en/services/advisory/consulting/forensics/economic-crime-survey.html>.
- Seidel, G. (1986). We Condemn Apartheid, BUT. *Sociological Review*, 36(1). Retrieved from <https://journals.sagepub.com/doi/abs/10.1111/j.1467-954X.1988.tb03333.x?journalCode=sora>.
- Smith, D. (2015, June 6) Fifa scandal fallout: South Africans continue to be suspicious of US motives. *The Guardian*. Retrieved from <https://www.theguardian.com/football/2015/jun/06/fifa-fallout-south-africa-us-sepp-blatter-world-cup-2010>.
- Shivambu, F. (2015). South Africa's Negotiated Transition from Aparthedi to an Incusive Political System. Wits University Department of Political Studies, MA Thesis, Johannesburg. Retrieved from <http://wiredspace.wits.ac.za/bitstream/handle/10539/17051/Final%20NFS%20MA%20Research%20Paper%20Final%20Layout%20for%20submission.pdf?sequence=2&isAllowed=y>.
- Terreblanche, S. (2012). *Lost in Transformation*. Johannesburg: KMM Review Publishing.
- Thörn, H. (2006). *Apartheid and the Emergence of a Global Civil Society*. London: Palgrave.
- van Vuuren, H. (2017). *Apartheid, Guns and Money*. Johannesburg: Jacana Media.
- World Bank. (2016). *Taking on Inequality*. Washington, DC: World Bank Group.
- World Economic Forum. (2017). *Global competitiveness report 2017-2018*. Retrieved from <http://www.weforum.org/reports/global-competitiveness-report-2017-2018/>.