The Rise of Liberal Economics in South Africa

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by Brian J. Hesse

Between 21-28 May 2000, Thabo Mbeki conducted his first visit to the United States since his election as South African President. Though he stressed the many positive dimensions of US-South African bi-lateral relations, he lamented the absence of foreign investment in Africa, where 'wars, military coups, and instability within countries cannot but contribute to the dampening of investors' appetites'.[1] *In particular, Mbeki stressed the failure of globalisation to address effectively the needs of developing countries. Indeed in one speech he noted that developing countries were always being told to undertake economic and trade reforms to become more compatible with, and attractive to, the developed world. In South Africa, where the government had endorsed and pursued liberal economics aggressively, and where the country's political and economic fundamentals were stable and sound, Mbeki said, 'in spite of this, investment flows into South Africa have been disappointing, helping keep poverty and unemployment levels high'. 'Many of us (in Africa) are punished,' he continued, 'by the development and trade structures in place, which benefit the wealthy countries that wrote them and continue to impact negatively on us.'*[2]

Things Aren't Always Quite What They Seem

This was not the first time in recent memory a South African official had made disparaging remarks about the prevailing economically liberal international order, of which the United States is a major champion and proponent. During US President Bill Clinton's historic visit to Africa in 1998, then South African President Nelson Mandela, with Clinton at his side, said: 'Our people have welcomed President Clinton with open arms. This is one of our proudest moments... I hold him in high respect. (But) the fact that we have respect for him does not mean we have no differences.'

The contentious issue to which Mandela was referring was the very thing US officials were hoping would be at the heart of US engagement with Africa: the African Growth and Opportunity Act (AGOA). In brief, the 1997 AGOA sought to: 1) lift American import duties of African apparel and textiles; 2) expand the number of sub-Saharan African countries eligible to fall under the US's General System of Preferences for developing nations; 3) create a US$650 million investment fund (to be administered by the Overseas Private Investment Corporation); and 4) establish a US-Africa Trade and Co-operation Forum to improve communication on trade issues. All, however, was to hinge on African countries' willingness to undertake economic reform and to increase trade. 'This (requirement) is a matter over which we have serious reservations,' Mandela said. 'To us it is not acceptable.'[3]

Exactly what was unacceptable was laid out by Deputy President Mbeki in an interview with the French quarterly *Politique Internationale*, some of which was broadcast on South African radio during Clinton's visit. During the interview, Mbeki insisted that Africa and South Africa alike needed trade *and* aid, not trade *instead* of aid,

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1 'Mbeki Cautions West on Dangers of Poverty', *Business Day* (South Africa), 24 May 2000.

2 Quotes are from 'Mbeki Lashes WTO, Globalisation For Fuelling SA's Woes', *Business Report* (South Africa), 25 May 2000.

3 'Warm Words from Clinton and Mandela -- But the Differences Show', *Deutsche Presse-Agentur*, 27 March 1998.

as the AGOA emphasised. 'It (the AGOA) is wrong,' Mbeki said bluntly. 'Africa needs both.'[4] Mbeki argued that if the South African 'economy today cannot generate the resources that are required to address all these urgent problems of poverty which face us', South African businesses could not be expected to compete against American producers, with infinitely more resources, in American markets. It stood to reason, Mbeki then added, that if this was the case with South Africa, sub-Saharan Africa's largest and most advanced economy, then it would also be true for other African countries.[5]

All contention aside, however, South African policy makers had begun to pursue economic reform and increased trade long before Clinton's 1998 visit.

GEAR As the Way Forward

In June 1996, the South African government unveiled its 'Growth, Employment, and Redistribution (GEAR)' strategy.[6] GEAR was the realisation by the South African government that though the 3 percent growth the economy had experienced in 1995 was an improvement over the past, it was inadequate for overcoming the disparities of apartheid. For example, with an economy growing at only 3 percent, the South African government estimated that unemployment would rise by an additional 5 percentage points by the year 2000, to 37 percent. Furthermore, when the rand tumbled in value against the US dollar by over 20 percent in 1996, some South African officials were made painfully aware that investors had doubts regarding the underlying fundamentals of the South African economy. GEAR was to address both.

GEAR set a target of achieving 6 percent real GDP growth and an increase in new job creation to an annual rate of 400,000 by the year 2000. The document's targets included the achievement of 3.8 percent growth in 1998/1999, 4.9 percent in 1999/2000, and 6.1 percent in 2000/2001, and keeping the national spending deficit under 4 percent of GDP in 1997/1998, and 3 percent in 1999/2000 and 2000/2001, respectively. These targets were to be met through privatisation, increased competitiveness, fiscal prudence, and the corresponding enticement of foreign investment. As a measure of the government's intentions associated with GEAR, within the first year officials rejected the introduction of a national minimum wage, and legislation that would have increased government spending in the hope of expanding the economy. These measures were rejected largely because it was feared they would have led to undue inflationary pressures. Then, in early 1997, the South African government began to auction off to the private sector a long list of state-owned industries, including the national airline, airports, radio stations, the telecommunications utility, mines, and forestry operations.

4 'It Takes a Tour', *Jerusalem Post*, 27 March 1998, p.6.

5 'Mbeki Challenges US Emphasis on Trade Rather Than Aid', *Irish Times*, 27 March 1998, p.10.

6 The *Growth, Employment, and Redistribution: A Macroeconomic Strategy* (GEAR) document can be found in its entirety at *http://www.polity.org.za/govdocs/policy/growth.html*.

Harnessing Globalisation

The belief behind moves associated with GEAR was that good-faith efforts to follow the prevailing principles of liberal economics would increase trade, and from trade, a better future could be achieved. One of the earliest and most adamant advocates in favour of trade was, unsurprisingly, Minister of Trade and Industry Alec Erwin. Erwin made the claim that South Africa ‘must engage... with these forces of globalisation’ in order to take advantage of ‘new markets that did not exist before to our economy’. Accordingly, when South Africa took over the four-year Chairmanship of the United Nations Commission on Trade and Development (UNCTAD) in May 1996, Erwin was of the opinion that South Africa had been afforded a unique opportunity. ‘The recent UNCTAD meeting (confirming South Africa’s chairmanship) further exposed and consolidated our relationship with the developing and newly industrialised economies, whose markets we are now eyeing,’ he said. ‘We are elaborating appropriate strategies so that we can access their markets.’[7]

While the South African government looked for appropriate strategies, debating whether policy should be ‘up for sale’ -- that is, whether economics should figure as prominently or more so than other concerns, like human rights -- South African business interests formulated and implemented their own trade agendas quite successfully. Illustrating this success, in 1994 South Africa’s total trade had consisted of Rand 75.6 billion (US$10.8 billion) in imports and R9.0 billion (US$1.3 billion) in exports; only a year later, these figures had increased to R9.7 billion (US$1.4 billion) in imports and R1 billion (US$143 million) in exports.[8] Though much of the total growth was from increased trade flows with the European Union, the United States, and Japan resulting from the dropping of sanctions, not all of it can be attributed to the normalisation of trade. South African business interests had made real headway in penetrating markets where commercial links had been minimal or tenuous in the past. For example, between 1995 and 1996 South Africa’s total trade with Latin America had increased by 26 percent, and non-military exports to the Middle East had grown by 88 percent between January and October of 1996 alone.[9] Yet even these numbers, at least in relative terms, were dwarfed by those evident in southern Africa.

It took seven years, from 1990 to 1997, for South Africa’s annual trade volume with the southern African region to double.[10] However, in the year from the start of 1997 to the start of 1998, South Africa’s annual trade volume with the region exploded, trebling from R2.1 billion (US$300 million) to more than R6.5 billion (US$929 million).[11] Hand-in-hand with this exponential trade growth came a corresponding South African business presence that extended beyond product names and services. Between 1995 and 1997 some thirty South African firms invested

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[7] *South African Senate Debates*, 4 June 1996, p.1790.

[8] G. Mills, ‘Leaning All Over the Place? The Not-So-New South Africa’s Foreign Policy’, a draft article intended to be published in *The South African Yearbook of International Affairs, 1997* (Johannesburg: The South African Institute of International Affairs, 1997).

[9] A. Cooper, ‘The Multiple Faces of South African Foreign Policy’, *International Journal* (Autumn 1998): p.716.

[10] ‘South Africa to Benefit from Africa Trade Growth’, *Xinhua News Agency*, 16 July 1997.

[11] ‘Foreign Affairs Spending Slashed’, *Business Day* (South Africa), 18 February 1998.

over US$2 billion in neighbouring countries,[12] and South Africa's top eight banks had come to represent US$6 billion of the total US$8 billion of the capital in sub-Saharan African banks.[13] Whether they liked it or not, South African policy makers had to acknowledge that economics was a major force. However, not all segments of the government could, or were willing, to show overt support for the primacy of economic issues.

The Past, Political Bedfellows, and Politics

One major constraint on South African policy makers was, unsurprisingly, the past. Not so many years before, in 1990, Mandela had said: 'The nationalisation of the mines, banks, and monopoly industries is the policy of the ANC and a change or modification of our views... is inconceivable.'[14] How things had changed by 1997. As the head of Mercedes-Benz South Africa remarked: 'Despite its socialist background, the ANC very quickly noticed that (nationalisation) was doomed to failure.'[15] Yet, there were still influential political movements -- namely, the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP) -- which continued to advocate interventionist government practises. In fact, in August 1997 COSATU leaders released their 'Programme for the Alliance', stating that the government needed to engineer directly 'employment, social transformation, and the delivery of services'.[16] Though obviously dedicated to GEAR, which embodied facilitative approaches to economic growth and job creation rather than outright interventionist redistribution, government officials were inclined to pay attention to these demands. COSATU and the SACP, after all, represented a significant and highly-active electoral base, and their respective leaders had been anti-apartheid allies with the ANC. Thus, while ANC government officials continued to make calls for a competitive economy, fiscal reform, and public sector restructuring, for example, they sought to balance these aims with remarks meant to assuage old friends who thought such aims ill-conceived. Summarising how the government was endeavouring to bridge the divide between pragmatic reform and 'struggle economics', one ANC official said: 'The basic starting point of government policy has been that we must engage with these complex forces of globalisation. We cannot try and isolate ourselves from them... what our policies are trying to do is to minimise the impact of dangers in this system, and maximise the opportunities that may now open to us.'[17]

Yet subtle assurances were not often enough to soothe some of the government's more fiery critics -- critics who had begun to call for 'a people's budget', or for a break-up of the COSATU-SACP-ANC 'tripartite alliance'. As a result, dramatic gestures became a regular, and some would say necessary, feature in the political landscape.

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12 'South Africa Invests 2 Billion US Dollars in Neighbouring States', *Xinhua News Agency*, 6 January 1997.

13 G. Mills, 'Leaning All Over the Place? The Not-So-New South Africa's Foreign Policy'.

14 Quoted in Ronaldo Munck, 'South Africa: The Great Economic Debate', *Third World Quarterly* (June 1994): p.205.

15 'Buoyant Markets Belie Challenges', *Financial Times*, 24 March 1998.

16 'Close the Wealth Gap, Warns Cosatu', *Mail & Guardian* (South Africa), 8-14 August 1997.

17 Quote is from Senator H.J.P. Lebona in *South African Senate Debates*, 4 June 1996, p.1769-1770.

Some of the more prominent ones to emerge included a 'Labour Relations Act', the 'Basic Conditions of Employment Act', an 'Employment Equity' bill (proposing more extensive affirmative action), and a 'jobs summit'. Additionally, Mandela took it upon himself to affirm regularly and publicly that the government was not looking to privatise the bettering of South Africans' lives. For example, it was not solely because he wanted to boast, but because he wanted to calm acrimonious 'internal' forces like COSATU and the SACP (with the added goal of quieting 'external' political opposition like the National and Inkatha Freedom Parties) that in his opening address to Parliament in February 1997, Mandela pointed out that government programmes had provided, and were providing, school lunches for some 3 million children; 700,000 people had gained access to potable water, with another 6 million expected to do so by the end of the 1997; and more houses had been built than at any time in the country's history.[18]

This said, sometimes the South African government's dramatic gestures in response to domestic pressures were not so benign, at least to those outside looking in. Due to the scarcity of jobs in South Africa, a seething resentment of illegal migrants had grown. As one South African street vendor was quoted as saying at a rally against foreigners: 'There's no jobs... These foreigners are still coming, putting pressure on us;' a pamphlet echoed this sentiment by stating: 'Do not buy from a foreigner as they take our money to their country. Foreigners must go.'[19] Acknowledging the proliferation of xenophobia, Mandela, at a September 1997 SADC summit, remarked that the issue of illegal migration 'needs to be tackled with caution to avoid rebellion by irate unemployed South Africans'.[20] Soon after, the government redoubled its efforts to catch illegal aliens. By the end of 1997, 30,000 illegal Zimbabwean immigrants alone had been deported, and 15,000 more were to be 'force marched' home.[21] Needless to say, these tactics were not always well-received by South Africa's neighbours who, facing their own, often worse, challenges, quietly supported citizens finding economic opportunity in South Africa.

Ironically, if South Africa's neighbours viewed the Republic as a source of economic opportunity, that economic opportunity was also a familiar source of concern because it accentuated South African hegemony. Even in 1995, the Republic accounted for roughly 84 percent of southern Africa's gross domestic product, and 76 percent of the region's exports.[22] More recently, in 1997 South African exports accounted for anywhere from 34 percent of Zambia's total imports, to 36 percent of Malawi's, and 52 percent of Zimbabwe's, with similar figures for other

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18 'Nelson Mandela: Opening Address to Fourth Session of Parliament, Cape Town, 7 February 1997', found in its entirety at *http://www.polity.org.za/govdocs/speeches/1997/sp0207.html*

19 '"Foreigners" Not Welcome on Pavements', *Weekly Mail & Guardian* (South Africa), 21 November 1997. For more views on illegal migrants, see 'SA is No "El Dorado" for Africa', *Weekly Mail & Guardian* (South Africa), 15 September 1997.

20 Quoted in P. McGowan and F. Ahwireng-Obeng, 'Partner or Hegemon? South Africa in Africa: Part Two', in *Journal of Contemporary African Studies* (16 July 1998): pp.187-188.

21 'Zimbabwe: The Tragedy of Border Jumpers', *Inter Press Service*, 16 November 1998

22 The World Bank, *World Development Report 1996* (Washington, D.C.: The World Bank, 1996), pp.202-219.

countries in the region. Conversely, only 2 percent of Zambia's exports, 9 percent of Malawi's, and 13 percent of Zimbabwe's exports made it to South Africa.[23] Historically, some of the disparities and associated fears of South African economic hegemony had been offset by the existence of the South African Customs Union (SACU), itself an agreement between South Africa and Botswana, Lesotho, Swaziland, and Namibia (BLSN).

In brief, SACU was created in 1969 as a political tool meant to ensure formal links between South Africa and the region. While its purported goal was to facilitate the duty-free movement of goods and services between member states and a common external tariff against non-member states, its true purpose when founded was to buy political dividends for apartheid South Africa through generous compensatory mechanisms. At the heart of these compensatory mechanisms was a 'stabilisation clause' which, due to the trade disparities between South Africa and BLSN, guaranteed that BLSN were to receive between 17 and 23 percent of the value of their imports, dutiable goods, and duties paid from pooled SACU revenue. All told, the formula had resulted in an estimated 77 percent 'loading factor' in favour of Botswana, Lesotho, Swaziland, and Namibia. Put another way, about one-third of the revenue generated by SACU went to BLSN, states that collectively generated only 7 percent of SACU's combined GNP and whose contributions equated into a mere 10 percent of SACU's pooled revenue.[24] Thus, when South African policy makers began to lean towards economic liberalism, embracing strategies like GEAR, there was a corresponding increase in SACU states' collective anxiety. Might South Africa unilaterally impose new conditions on SACU, some asked? In reality, the question was somewhat misdirected. Even as South African policy makers themselves tried to grapple with domestic economic priorities, they were being swept along by international economic developments, and it was these developments which most likely posed a greater threat to the SACU arrangement.

With the emergence of the World Trade Organisation (WTO) had come twenty-eight separate accords which had extended economically liberal rules of trade globally. As a signatory to the accords, South Africa was obliged to: 1) rationalise and simplify its tariff structure from 10,000 to 6,000 categories; 2) increase the number of tariffs included in WTO negotiations from 58 percent to 98 percent of all tariffs; 3) replace all remaining quantitative controls with more universal duties; 4) reduce its maximum tariff levy from 100 percent to 30 percent (with the exception of those on motor vehicles and textiles); and 5) to end its general export incentive scheme (GEIS), which had provided subsidies to South African exporters.[25] These obligations were directly at odds with many SACU arrangements.

Consequently, in 1997 South African policy makers entered into negotiations with BLSN to see how SACU might be restructured. From these negotiations emerged a 'subset arrangement' where it was envisioned that SACU might 'harmonise' its structures, mechanisms, and actions under a broader regional entity. Under Article XXIV of

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23 International Monetary Fund, *Direction of Trade Statistics Yearbook 1997* (Washington, D.C.: International Monetary Fund, 1997).

24 John Burton, 'Short paper on the Renegotiation of SACU and the Free Trade Area between RSA and the EU' (Pretoria: Overseas Development Agency, 1995).

25 R. Gibb, 'Southern Africa in Transition: Prospects and Problems Facing Regional Integration', in *The Journal of Modern African Studies*, 36, 2, (1998): p.297.

the General Agreement on Trade and Tariffs (GATT), this would enable some SACU arrangements to continue -- most notably, a version of the all-important revenue sharing arrangement -- because SACU could then be classified, technically, as regional integration scheme and not as a discriminatory club. As South African policy makers and their BLSN counterparts looked around the region, the most logical entity they identified under which SACU could fall was the Southern African Development Community (SADC).

On the face of it, the collective thinking of SADC, of which South Africa had been the chair since 1996, appeared to be very much in step with the liberal economic thought prevailing in the international order, as well as in South Africa. In August 1996, SADC leaders had signed a *Protocol on Trade in the Southern African Development Community (SADC) Region.* The *Protocol* was supposed to commit SADC countries to undertaking a phased reduction, and an eventual elimination, of import duties and other charges by no later than 2005. To some extent, it was the capstone on a long list of integration and/or liberalisation protocols covering everything from monetary and fiscal policies, to energy and mining. Conceptually, these measures should have enabled SACU to be integrated into the SADC order relatively easily. However, a distinction has to be made between the signing of an impressive list of protocols and turning them into reality.

Under SADC rules, a protocol only comes into effect once three-quarters of the member states give their consent. The list of protocols signed at SADC meetings and summits far exceeded the number that had ever received a three-quarters endorsement. Knowing this, it is not surprising, then, that a year after southern African leaders had signed the *Protocol on Trade* of 1996, only two states had given their approval, Mauritius and Tanzania. Commenting on this state of affairs, James Sidaway observed that SADC leaders' 'positions on a theme are often coded, unsaid, or expressed as much through later non-compliance with a decision taken'.[26] South Africa, even as chair of SADC from 1996, and perhaps more so because of it, was hesitant to appear too eager to push the *Protocol on Trade* for fear of arousing undue concern among SADC member states and leaders about South African hegemony.[27] After all, South Africa imported just 5 percent of the value of its exports to SADC states,[28] and therefore, the claim could be made that in pushing for a free trade area, South Africa might not have the interests of SADC at heart; indeed, one commentator alluded to the fact that South Africa might be placing its priorities before those of SADC, and in endorsing a free trade area, was looking to turn SADC countries in to 'a warehouse or sales post' for South African goods at best, and at worst, wanting to see South African businesses 'swallow up' other countries' industries.[29]

26 J. Sidaway, 'The Forward March of SADC', *International Update* 13, 96 (1996), p.3.

27 Indeed, when the South African Parliament did eventually give its endorsement in June 1998, it did so with an understanding that its SADC representatives would grant generous concessions as a way of assuaging fears of hegemony. For more details on South Africa's concessions, see 'South African Unveils Proposals for Southern Africa Free Trade Protocol', *BBC Summary of World Broadcasts*, 16 June 1998.

28 'The SADC Has to Learn from Mercosar', *Business Day* (South Africa), 2 June 1998.

29 'Industrialists Weary of Free Trade Zone', *Inter Press Service*, 30 November 1998.

The concern South African policy makers had regarding the projection of South African hegemony abroad meant that, even as of late 1997, many were unwilling to articulate strongly their commitment to economic liberalism -- even though GEAR and GEAR-related policies were a clear indication that they wanted and/or needed to do otherwise. But then, in December 1997, the *Medium Term Budget Policy Statement* was released. The *Statement* projected that, at best, the economy would be growing by only 5 percent by the year 2000, and a more likely figure was no more than 3 percent.[30] This downward revision was the result of a number of variables, including the effect of drought on the agricultural sector, a plummeting price of gold, and a slower-than-expected restructuring of parastatals like Eskom, the electric utility. With such unglamorous levels of growth, it was obvious that there would be many domestic expectations that simply would not, and could not, be met. This, naturally, placed government officials at a juncture: they either had to affirm fully their dedication to the principles and mind set of GEAR, or they had to find another strategy.

Follow Me

The course to be taken became obvious when Deputy President Mbeki said that in spite of the revised figures in the *Medium Term Budget Policy Statement*, his commitment to the fundamentals of economic liberalism and the parameters of fiscal prudence set out in GEAR were 'set in stone'.[31] Moreover, he stated that his convictions were such that he would be willing to sacrifice political support in order to see these fundamentals and parameters furthered and met respectively -- a highly charged claim given the displeasure of the COSATU and SACP leaderships regarding GEAR. Yet what was astonishing about Mbeki's statements was not so much their blunt content -- Mbeki, after all, had been the most visible and consistent policy maker advocating liberal economics as a part of his 'African Renaissance' vision -- instead, it was their timing. Mbeki made the statements immediately before the ANC's 50th national conference, a conference where Mandela was to step down as party leader so that Mbeki could stand to take his place. Though running unopposed for the ANC's leadership, in making the statements before the vote, Mbeki, in essence, was saying to the party faithful: 'If you endorse my leadership, you also endorse GEAR and what it enshrines.' It was no small gamble, considering that a conference 'policy commission' was to discuss a document called 'Developing a Strategic Perspective on South African Foreign Policy' which said:

> ...in globalisation, the monopoly companies of the advanced capitalist countries, particularly the trans-national corporations, set most of the agenda. As such, the real danger exists that political and economic policy of governments throughout the world can be dictated by those corporations. Already the content and form of globalisation of trade, investment, and capital flows, and the operation of some of the most important multi-lateral organisations (the World Bank and IMF) largely reflects the wishes of these corporations... GEAR will have to be evaluated within the globalisation context.[32]

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30 See *The Medium Term Budget Policy Statement 1997*, found in its entirety at *http://www.polity.org.za/govdocs/policy/medium.html*.

31 'Who is Thabo Mbeki?', *The Economist*, 1 November 1997, p.72.

32 Quoted in 'ANC Conference to Debate Foreign and Financial Policies', *Business Day* (South Africa), 9 December 1997, p.2.

In the end, the gamble did pay off and Mbeki was elected the ANC's leader, all but assuring that he would be elected the next President of South Africa in 1999. The course was set: from December 1997, South African policies, both domestic and foreign, were to centre around economic concerns in as much as diplomatic ones.

Only two weeks after Mbeki's ascension to the leadership of the ANC, Mandela gave further affirmation to the economic underpinnings South African policies were to have. On 31 December 1997 he made the announcement that South Africa would normalise relations with mainland China (at the diplomatic expense of South Africa's long-time ally, Taiwan). The move proved Aziz Pahad prophetic because he had said: 'Why do we establish relations?... To protect our interests and our views, and in that context to establish a political relationship. However, more importantly, or as importantly, we want to open up more trade and investment possibilities and establish joint co-operation agreements.'[33] The implied promise in recognising the People's Republic of China was that untold economic benefits would result for South Africa, mostly through trade, due to China's market of more than one billion potential consumers.

Actions and Words

Hence, when Mbeki departed on a far eastern tour of China, Hong Kong, South Korea, and Japan in early 1998, his message was consistent: 'We are determined to end the situation according to which, for many years, Africa recorded the slowest rates of economic growth and, in many instances, experienced economic decline.'[34] What underlay this message was that South Africa would exploit economic opportunities to their fullest, whenever possible. Accordingly, it was no coincidence that even as he was making his vision for an economically vital Africa known, he was meeting with an assortment of trade and industry ministers, and business leaders ranging from restaurant managers who might be interested in South African fare, to defence officials considering the merits of being equipped with South African-made weaponry.

Perhaps the greatest South African endorsement of liberal economics came on 6 June 1998. It was then when Mandela and his Mozambican presidential counterpart, Joaquim Chissano, launched construction of the 'Maputo Development Corridor' at an elaborate ceremony attended by 10,000 in the small Mozambican bordertown of Ressano Garcia. Unveiled as the largest development initiative on the African continent at US$400 million, the project was to connect the economic heartland of South Africa around Johannesburg to the port of Maputo by 2001 via a double-lane toll road and restored rail link. At the ceremony, Mandela showed a great deal of optimism, noting: 'The rebirth of our country, our region, and our continent is in our hands.'[35] He then added: 'It (the Maputo Corridor) has helped set a trend that is changing the face of our region and making a concrete reality of our dream of

33 *South African House of Assembly Debates*, 16 May 1996, p.1123.

34 'China Gives SA Business Food for Thought', *Business Day* (South Africa), 14 April 1998.

35 'Construction Begins on 2bn-rand Road Linking Mozambique and South Africa', *British Broadcasting Corporation*, 16 June 1998.

development through co-operation.'[36] The trend, Mandela pointed out, was being manifested in a number of discussions throughout southern Africa regarding other cross-border projects — projects like the South African-Lesotho 'Highlands Water Project', a 'Benguela Corridor' through Angola to give the Democratic Republic of Congo and Zambia sea access, and similarly, a 'Beira Corridor' from the coast of northern Mozambique to land-locked Zimbabwe. South African Transport Minister Mac Maharaj remarked that the proposed projects had already attracted investment commitments worth more than R35 billion (US$5 billion), largely because investors were encouraged by the progress being witnessed in the Maputo Corridor Project. The implication was not lost on Mandela. He said: 'These big investments create many opportunities for new enterprises to grow up around them. If local people seize these openings, the benefits... will multiply many times.'[37]

In sum, the Maputo Corridor Project was a concrete expression -- literally -- of the type of partnership the South African government envisioned between the public and private sectors. South African policy makers had set out to build a 'platform of infrastructure' -- by offering government grants equalling no more than approximately 10 percent of the total cost of the project -- while up to 90 percent of the project's costs were to be met through private capital. In order to facilitate the minimisation of public finances and the maximisation of private ones committed, a 30-year concessional contract had been granted to Trans-African Concessions (TRAC), a binational company who, for the length of the contract after the corridor was completed, was to be responsible for upgrading, maintaining, patrolling, and operating the road. In return, TRAC was to have the right to collect tolls at five toll plazas spread along the length of the corridor. As for how the Maputo Corridor related to the South African government's larger economic aims, a report from the South African Department of Trade and Industry said it best when it summarised that the project was a 'practical implementation of the government's economic strategy as set out in its growth, employment, and redistribution (GEAR) policy'.[38] In other words, it was at once a product of, and a testament to, the South African government's commitment to an economically liberal agenda.

Liberal Economics Preponderate

The South African columnist Howard Barrell made a valid point when he said: 'We can set out to improve the conditions for economic and cultural revival, yes; but we cannot order renaissance into being.'[39] GEAR and the Maputo Corridor Project are at once testaments to, and products of, the South African government's commitment to an economically liberal agenda. In Pretoria and Cape Town, an intense desire exists to increase trade and commercial links, and relatedly, for the African continent to accelerate its integration into the 'global economy'. The only way this can be done, key policy makers argue, is through privatisation, increased competitiveness, sound fiscal and monetary policies, and a corresponding enticement of foreign investment.

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[36] 'Maputo Corridor Shows Way for African Rebirth', *Xinhua News Agency*, 8 June 1998.

[37] 'Maputo Corridor Shows Way for African Rebirth', *Xinhua News Agency*, 8 June 1998.

[38] 'A Trade Strategy that Dreams of Jobs', *Weekly Mail & Guardian* (South Africa), 18 September 1998.

[39] 'Keep Thabo's Big Idea Small', *Weekly Mail & Guardian* (South Africa), 21 August 1998.

But what about Mbeki's disparaging remarks about the economically liberal international order noted at the beginning of this article? In the end it boils down to political manoeuvring in the hopes of leveraging more advantageous trading arrangements, as well as greater amounts of foreign assistance and investment. Such expressions should not be mistaken as a reversal in the rise of liberal economics. In theory and in practice, liberal economics have assumed a degree of preponderance in the South African policy realm, though this preonderance will continue to be a cause of dialogue and most certainly debate.