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International Trade Policy and Class Dynamics in South Africa

The Economic Partnership Agreement

Simone Claar

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Amandla, Awethu! Simone Claar

Contents

Abbreviations

ACP	African, Caribbean, Pacific
AMCU	Association of Mineworkers and Construction Union
ANC	African National Congress
APF	Anti-Privatisation Forum
AsgiSA	Accelerated Shared Growth Initiative of South Africa
BASA	Banking Association of South Africa
BBC	Black Business Council
BEE	Black Economic Empowerment
BMF	Black Management Forum
BRICS	Brazil, Russia, India, China, South Africa
BUSA	Business Unity South Africa
CARIFORUM	Forum of the Caribbean Group of African, Caribbean and Pacific States
COMESA	Common Market for Eastern and Southern Africa
COMSA	Chamber of Mines of South Africa
COPE	Congress of People
COSATU	Congress of South African Trade Unions
CPA	Cotonou Partnership Agreement
CST	Colonialism of a Special Type
DA	Democratic Alliance
DAFF	Department of Agriculture, Forestry and Fisheries
DIRCO	Department of International Relations and Cooperation
DP	Democratic Party
DTI	Department of Trade and Industry
EAC	East African Community
EC	European Commission
EDD	Economic Development Department

EFF	Economic Freedom Fighters
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FEDUSA	Federation of Unions of South Africa
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GEAR	Growth, Empowerment and Redistribution
GIS	Geographical Indications
GSP	General System of Preferences
HMPA	Historical Materialist Policy Analysis
IFP	Inkatha Freedom Party
IPAP	Industrial Policy Action Plan
ITAC	International Administration Trade Commission
ITED	International Trade and Economic Development Division
MEC	Minerals-Energy Complex
Mercosur	Mercado Común del Sur
MFN	Most Favoured Nation
NACTU	National Council of Trade Unions
NALEDI	National Labour and Economic Development Institute
NDP	National Development Plan
NDR	National Democratic Revolution
NEC	National Executive Committee
NEDLAC	National Economic Development and Labour Council
NIPF	National Industrial Policy Framework
NP	National Party
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers of South Africa
PBF	Progressive Business Forum
PP	Progressive Party
RDP	Reconstruction and Development Program
RoO	Rules of Origin
SACP	South African Communist Party
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Cooperation Conference
SAIIA	South African Institute for International Affairs
SANLAM	South African National Life Assurance Company
TDCA	Trade, Development and Cooperation Agreement
TIPS	Trade & Industrial Policy Strategies

TPRG	Trade Policy Review Group
TPSF	Trade Policy Strategic Framework
Tralac	Trade Law Centre for Southern Africa
TSG	Trade Strategy Group
TTIP	Transatlantic Trade and Investment Partnership
WTO	World Trade Organisation

List of Figures

List of Tables

CHAPTER 1

Introduction and Theoretical Focus

Trade is playing a more important role for developing economies. In the last ten years, the global share of merchandise trade in developing economies has increased to 42%; simultaneously, the share in commercial services has increased to 36% (WTO 2016: 14–15). At the same time, the global political and economic order has been challenged by the rise of emerging markets (e.g. Nölke et al. 2015; Nölke et al. 2014; Becker 2013; Kahler 2013; Stephen 2012; Kappel 2011). The rise of the BRICS (Brazil, India, Russia, China and South Africa) has also influenced the shift in the global trade share. In 2013, the BRICS had 18.5% of the global trade share in merchandise trade, which is mainly driven by China (WTO 2014: 12–13). Although all BRICS markets have experienced national political and economic crises in the last couple of years, they still remain important global trade players, as its containerised trade, which grew 5.8% worldwide in the first half of 2016 (The Times of India 2016). A change of power within the global trading regime in favour of the global South is taking place. For a while, the 1947 signed General Agreement on Tariffs and Trade (GATT) followed a classical liberal trade agenda with a focus on tariffs and quotas. Due to political and economic crises, like high inflation, oil crisis and the demand for new markets, a radical shift took place in the 1970s and 1980s. As Harvey summaries, "there has been an emphatic turn towards neoliberalism in political-economic practices and thinking everywhere since the 1970s" (Harvey 2005: 2). The specific political

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constellation in the USA with Ronald Reagan as president and in the UK with Margret Thatcher as the prime minister supported this economic shift with answers to the economic crisis through the deregulation of industries, the minimisation of trade union power and the withdrawal of the state. This also had an impact on global economic institutions like the International Monetary Fund, the World Bank and the World Trade Organization (WTO), as they followed these hegemonic practices (Harvey 2005: 1–4). Besides the political impact on the trading system, the driving forces of this agenda looked for new economic possibilities. Within trade and investment non-tariff barriers like trade in services and intellectual property rights were just some new strategies to meet the capitalist demand for new markets. In 1995, the WTO was founded and the GATT became one agreement among the Trade-Related Investment Measures (TRIMS), the General Agreement on Trade in Services and Trade-Related Intellectual Property Rights (TRIPS). The WTO regulates legal requirements for its members and provides room for negotiations and disputes (Müller et al. 2013: 16–17). According to the WTO, its "goal is to help producers of goods and services, exporters, and importers conduct their business" (WTO 2017). More recently, the focus is much more on non-tariff barriers that are also on the main agenda of the WTO Doha round. On its agenda are trade in tariffs, the abolishment of agricultural subsidies in the European Union (EU) and USA and the implementation of TRIPS as well as opening the markets for services (Müller et al. 2013: 16–17). The industrialised markets, in particular the EU, have pushed for further harmonisation behind the border. This means, for instance, also the "elimination of differences in national production and product standards that make regionally integrated production costly" (Lawrence 1996: 17). Drawing on this definition, the concrete issues of deep integration are very broad, but differ within specific trade agreements. They might include competition policy, investment regulations, trade in services, product standards, public procurement, intellectual property rights (including geographical indications) and anti-dumping (Claar and Nölke 2012b; Ghoneim 2008; Evans et al. 2004; Lawrence 1996). Deep integration also includes the free movement of capital (Lloyd 2008: 20; Evans et al. 2004: 12–13) and is mainly discussed in the context of economic integration. It mostly draws on the theoretical economic integration conception of Balassa (1961) that sees deep integration as the final stage of political and economic integration (see Gasiorek and Holmes 2008; Ghoneim 2008). While deep integration offers a lot of flexibility with regard to domestic liberalisation objectives, it requires progressive liberalisation and regular renewal of liberalisation agreements in order to prevent backlashes or solidifying of the status quo. It also affects new policy arenas. Up until now, the integration project of the European Union has offered a role model of economic integration in the form of the harmonisation of national regulations (Lloyd 2008: 31; Young and Peterson 2006: 799). Besides the idea that trade in deep integration issues might have a positive impact (Ghoneim et al. 2011: 27), Chang argues that the national political space for trade and industrial policy is limited due to global economic institutions or bilateral trade agreements (Chang 2005: 20–21). It is more than just the regulation of tariffs, as it continues to address more and more policy fields over time to create a good business environment in all areas of life, for instance, in the US and Canadian proposal, even health and security were discussed for further harmonisation and standardisation (Ayres 2004). In addition to economic integration, deep integration is also seen as a political project to inscribe liberal norms and the ideas of the global North in global economic institutions and bilateral trade agreements (Claar and Nölke 2012b: 12; Langan 2009: 421; Young and Peterson 2006: 808–809).

In the WTO debate, these deep integration issues were called "Singapore issues", WTO plus or new-generation issues. However, the Southern countries rejected these issues in the multilateral system at the WTO ministerial conference in Singapore in 1996. The EU has pushed the deep trade agenda due to its own experience with its integration project at the WTO meetings in Seattle (1999) and Doha (2001) (Young and Peterson 2006: 803–804). In the Global Europe Strategy, the European Commission demanded a "sharper focus on barriers to trade behind the border" (European Commission 2006: 6), but due to the change in the international balance of power because of the rise of protest in developing countries in Doha and Cancun (in the year 2003), a common negotiation line for deep integration could not be incorporated in the WTO (Young and Peterson 2006: 802–803). This developed into a crisis of the multilateral system and the rise of bilateralism in trade and investment policies (Behrens and Janusch 2012: 33–36). Subsequently, the European Union and the USA have included deep integration issues in their new bilateral and regional trade agreements with the global South (Shadlen 2005). The USA has twenty free trade agreements and negotiates regional agreements like the Trans-Pacific Partnership (TPP) Agreement with Asia and the Transatlantic Trade and Investment Partnership (TTIP) with the European Union (United States Trade Representative n.d.). The USA has failed to negotiate free trade agreements, for example, with the Southern African Customs Union (SACU) (Draper and Khumalo 2008). The EU also has a high number of trade agreements, but not all are free trade agreements (European Commission 2017a). Within the negotiations, the EU and the USA focus on different policy areas, for example, the EU on competition policy and the USA on labour regulations, although both support the harmonisation strategy itself. Both differ in terms of flexible juridical texts (in the case of the EU), while the USA uses standardised legal texts (Ahearn 2011: 13f, 17f; Horn et al. 2009).

In practice, the change in the nature of EU bilateral and regional trade agreements appeared in the EU's Economic Partnership Agreements (EPAs) with the African, Caribbean and Pacific (ACP) states. With the EPA, the EU changed the nature of its trade agreements from a developmental approach with non-reciprocal trade preferences to a deep trade agenda with reciprocal trade (Elgström 2009: 21–22; Faber and Orbie 2009b: 4). Already in 1996, the EU examined its relationship with the ACP states and also proclaimed to change its trade relationship, as the non-reciprocal trade preferences do not generate more growth (European Commission 1996: 20). Thus, the end of the WTO waiver for the regulations on trade in the Cotonou Partnership Agreement (CPA) at the end of 2007 was a good window of opportunity to follow the previously set goals. The waiver was necessary because the agreement contradicted with the WTO Most Favoured Nation (MFN) clause.[1] The Economic Partnership Agreement that addresses trade policy and cooperation between the EU and ACP states under the umbrella of Cotonou Partnership Agreement should cover trade regulations. Developmental aspects and political dialogue remain valid under the CPA (Claar and Nölke 2013). EU representatives also highlighted the development approach of free trade in the EPAs in contrast to other agreements (Faber and Orbie 2009b: 4). In previous times, the Commission's Directorate-General for International Cooperation and Development (DG Development) had a "problem solving atmosphere, […] the no-nonsense free-trade approach came by a surprise" (Elgström 2009: 25). The Commission's Directorate-General for Trade (DG Trade) had full responsibility for the EPA and the DG Trade at the time, Peter Mandelson, had a very confrontational tone towards the ACP states. This changed at the end of 2008, as Catherine Ashton became the new Director-General of Trade for one year. She made some compromises in the negotiations (Müller 2015: 206–207; Elgström 2009: 25); however, the difference between DG Trade and Development was not only in the negotiation style but also in the presumptions. DG Trade emphasised the positive impact of trade rules for development. Besides the main purpose to create a market-friendly investment climate in these regions, they felt that to achieve this investment climate, deep integration issues were a necessary part of the agreements. With the EU experience in mind, DG Trade thought that the same principles would bring the same results in the ACP states. This was the ideological framework of the EPA negotiation and created a highly controversial starting point. Despite the hard position of the DG Trade, the ACP states also insisted on a development section as well as continuing aid in the EPA (Elgström 2009: 26–27).

As the idea had already appeared in the Green Paper (European Commission 1996: ix) to split the ACP group, the EU put it into practice and divided the group into seven regional settings: the Caribbean, the Pacific, West Africa, Central Africa, Eastern and Southern Africa (ESA), the East African Community (EAC) and the Southern African Development Community (SADC). The Cariforum EPA with the Caribbean states is a comprehensive EPA including deep integration issues and already ratified in 2009, while the EPAs on the African continent started to be ratified from 2012 to 2016 (European Commission 2017b). In those regional settings, not all member states are part of the negotiation groups. The fragmentation limited the bargaining power of the ACP states in the negotiations (Müller 2015: 143) and resulted in competition among the regions and states. The southern and eastern African states experienced problems with overlapping memberships in the regional integration projects and different affiliations in the EPA process (Jakobeit et al. 2005). Moreover, there have been discussions on the developmental aspect (Kabwe 2007) and the economically possible gains or disadvantages for the region and states. It is unlikely that the market access to the EU will increase in the area of trade in goods (Patel 2007). Generally, "the gains from these [deep integration] agreements have been relatively small, and they may trigger more macroeconomic instability" (Gallagher 2011: 8) because the gain in foreign direct investment is calculated against the loss of national policy space (see also Claar and Nölke 2012b: 13). Giving away national policy space might not lead to more foreign direct investment as predicted. From a classical liberal perspective, the EPAs have gains and positive effects on economic development, in particular in the case of imports and on the national welfare (Fontagné et al. 2011; Morrissey and Zgovu 2011). The EPA agreements were highly controversial in the different regions and in Europe. Under the umbrella of the "STOP-EPA" campaign, more than 164 networks and organisations came together to fight the EPAs. The campaign was founded in 2005 at the European Social Forum (KOSA 2005). The main drivers were the organisations within the African Trade Network, and the organisations launched a call for action against the EPA. They

> pointed out that the EPAs posed a threat not only specifically to government revenue, local producers and industries, food sovereignty, essential public services, and the regional integration of African countries; but also to the right and capacity in general of African countries to develop their economies according to the needs of their people and their own national, regional and continental priorities. (Declaration of Civil Society Organisations 2008)

The campaign not only remained within civil society on African soil, but also European civil society organisations, like Attac-Germany and Oxfam, were organising against the nature of the EPA agreement (Kasirye 2014: 2). The transnational activism against the agreement and keeping the developmental goals of the ACP states was very important and had an impact on the negotiation deadline. In some cases, the campaign achieved a shift of the previously set negotiation deadlines in 2007 and 2008 (Kasirye 2014: 3). However, the campaign suffered from the fact that some ACP states signed the EPA agreement very quickly. Moreover, several states agreed on further negotiations on deep integration in their EPAs, so the debates will continue and activism might be necessary again (Kasirye 2014: 2–4). Overall, the "STOP-EPA" campaign, as transnational activism, was an important linkage for local non-governmental organisations to raise their voices against the EPA, and they supported the ACP states with knowledge and capacity (Kasirye 2014: 2). To address the criticism that the EPAs provoked, the British Department for International Development (2007) prepared answers to perceived EPA myths. In their view, market access is an improvement for African capital and the local economy will gain from the EPA. Also, European business can profit from the agreement through investment possibilities, and the implementation of European regulations in trade-related areas will benefit European business (Faber and Orbie 2009b: 6).

Within the controversial debate on transnational activism and the EU pressure to close its markets for products from the ACP states, the economic and regional powerhouse of South Africa decided to request participation in the Southern African Development Community (SADC) EPA with the support of the neighbouring countries. Similar to the previous agreements, Lomé and Cotonou, the South African government was only an observer of the EPA trade negotiations. In the 1990s, the EU rejected the South African request to join the Lomé agreement because it did not want to offer South African products an advantage over EU products by giving them the same access to its markets (Nduru 2007; Olivier 2006: 60–61). Therefore, South Africa had to negotiate a bilateral trade agreement with the EU. In 2000, the Trade, Development and Cooperation Agreement (TDCA) came into force (Draper 2007: 21; Meyn 2004, 2006). Due to the TDCA, South Africa did not have to be part of the EPA, but it joined the negotiations after submitting a formal request in early 2007 (McCarthy et al. 2007: 4; Nduru 2007; Roux 2007: 5). Even without South Africa's status change, it was obviously unlikely that by the end of 2007 due to several controversial issues they would conclude a full EPA.[2] At the end of 2007, the EU presented an interim EPA draft that covered trade in goods but did not address the concerns raised by the negotiation partners with regard to trade in services and deep integration issues.[3] These issues were accordingly placed on the table for negotiation after signing the interim EPA (Weidlich 2008). It was envisioned that the interim EPA should be the grounds for further trade between the SADC EPA group and the EU. Finally, South Africa (and Angola and Namibia) rejected signing the interim EPA, although the majority of the SADC EPA group initialled the agreement, thereby agreeing to foster negotiations on reciprocal trade liberalisation as well as deep integration issues in the years to come (Weidlich 2008; Cronin 2007). This resulted in a real threat to all regional integration projects, in particular the Southern African Customs Union (SACU) and the Southern African Development Community. Different trade agreements with the EU make the common customs for the states within the SACU unusable. Thus, while neighbouring countries continue the trade talks with the EU, South Africa started to negotiate again (Carim 2017: 173; Lorenz-Carl 2013; Lorenz 2011). At this time, the South African government only wanted to discuss new regulations for trade in goods (Julian 2010), but during the negotiations, the EU used geographical indications (GI), which are part of intellectual property rights, as a dealmaker (Grant-Makokera and Botha 2011). In July 2014, both parties found an agreement on trade in goods and an extra GI protocol for South Africa. Finalising the legal texts took time, and in June 2016 the EPA was ratified and entered provisionally into force in October (Mozambique is expected to join in 2017 and Angola remains an observer) (Tralac 2017; DTI 2016: 7; EU-SADC EPA 2016; Roquefeuil 2014). The benefits and negative impacts of the trade agreement on the South African and regional market remain unclear. There are still challenges, like the trade in service negotiations between the other SADC EPA group members and the European Commission. This might result in future disputes and divisions within the region (Fundira 2017).

Trade policies and trade agreements remain an important economic policy tool for economic development and capital expansion. In these debates on trade policy and trade agreements the focus is on the government, the trade agreement agenda and the conflicts that emerged in the negotiations. These are important points in order to understand the dynamics of trade negotiations, the possible impact on economic development as well as suggestions for solving the problems.

The origins of the different positions of the EU and South Africa on the trade agenda remain unclear. Thus, national decision-making and constellations on the EPA remain a blind spot. In the specific case of South Africa, if we consider the complex setting of state and society, it is not enough to just look at the government level alone if we want to understand South Africa's position. Hence, the way of handling the EPA by South Africa was analysed from a class perspective. It is necessary to question relationship of forces in order to understand South African action from the standpoint of internal class relations. Thus, identifying classes and its fraction provide new insights on the different South African class interests in the EPA negotiations. Thus, this book will shed light on the class dynamics behind the EU–SADC EPA from the South African point of view.

Scope of the Book and the Research Question

It might appear puzzling that the South African government joined the trade negotiations freely and decided not to sign the agreement at first, but then agreed on trade in goods in an EPA in 2016, including an extra protocol on geographical indications. The rejection in 2007 and the conclusion in 2016 by the South African government raises the general question of what motives led to this decision. The analysis draws on this process and centres on the conflict within the EU–SADC EPA. It demonstrates that class interests on trade in goods, trade in services and deep integration ultimately caused the rejection of the trade deal in 2007. It will be argued that this has created space for further negotiations and the conclusion of the EPA in 2014/2016. The scope of the book is to analyse the national class interests in order to identify class conflicts, alliances and conflict lines. The EU–SADC EPA trade agreement negotiations are analysed in order to answer the core research question: How can we explain the decision taken by the South African government to reject the interim EPA in 2007 and conclude an EPA in 2016 on the grounds of national class relations? I argue that the action taken regarding the EPAs by the South African government is more than just a political learning process, as the specific constellation of forces in South African trade policy pushed for the rejection in 2007. This can be explained from the standpoint of internal class relations and the preferences of classes in the field of trade policy in South Africa. It looks like a form of class compromise materialised and slowly resolved over time. The book empirically and concretely identifies the relationship of forces in South Africa and the South African classes in the EU–SADC EPA.

The theoretical and empirical debates on the Economic Partnership Agreement are embedded in the question of European trade policy (e.g. Müller 2015; Siles-Brügge 2014; Claar and Nölke 2013; Young and Peterson 2006), the development aspects of the EPAs (e.g. Faber and Orbie 2009a; Asche and Engel 2008), its positive impact on economic development and the concrete negotiation themes (e.g. Bertow 2009; Büntrup 2008; Fautrel 2008). These perspectives take more of a policy implementation perspective and do not cover the perspectives of national actors on certain policies in the EPA (with the exception of Lorenz-Carl 2013 and Lorenz 2011 on the governmental level). Most of the studies have a tendency towards problem solving and do not question social and power relations (see Cox 1981: 128–129). Therefore, the scope of the book is to provide a complete picture by including government, capital and civil society perspectives on trade policy and agreements.

The decision-making and interests behind trade policy, however, remain rather invisible. South Africa's trade policy is shaped through liberalisation (Edwards and Lawrence 2012; Alves and Edwards 2009; Draper and Alves 2009; Bell 1993), similar to the economic policy (e.g. Marais 2011; Hirsch A. 2005a; Terreblanche 2002). South Africa's trade relations with the EU are shaped through the WTO and TDCA. The TDCA already had an impact on the regional Southern African Customs Union (SACU), as the arrangements also impacted the other SACU members in terms of revenues and liberalization of the agricultural market (Meyn 2006; Meyn 2003). The situation of regional integration in SADC and SACU is of central interest (Le Roux 2008; Weidlich 2008), and in the debate further economic as well as deep integration in the region has been pushed. Harmonisations within the customs union (Disenyana 2008) and intellectual property rights (Phiri 2008) are thereby both areas for the regional integration project. The research on the region covers several issues of trade and regional integration (Pisani et al. 2013; Tralac 2012; Bösl et al. 2011; Draper and Khumalo 2008; Grobbelaar and Besada 2008), and this research is relevant in terms of an empirical investigation of EPA issues, but they also fail to consider the national constellation.

There is research on the relationship of forces in the whole political economy in South Africa that provide a basis for identifying power relations at the political level (e.g. Beresford 2016; Southall 2014; Seekings and Nattrass 2015; Habib 2013; Pillay 2011; Butler 2010). Indeed, older studies even discuss race and class (Wolpe 1988, 1972) and can therefore be utilised to identify classes and their fractions. The studies on South Africa are all similar in that they only discuss the political sphere of power. With regard to empirical cases, South African power relations have been investigated in terms of the interrelation of interests between the ruling class, the state apparatus and the working class (Calland 2013, Plaut and Holden 2012). The analysis of the class struggle in the South African state and the origins of the racial democracy from a historical materialist perspective (Wolpe 1988, Clarke 1978, Davies et al. 1976) provide hints of the historical roots of the contemporary relationship of forces. However, race remains important in contemporary South African capitalism (Durrheim et al. 2011; Seekings and Nattrass 2005).

The capitalist mode of production and class struggle in the field of trade policy has not yet been covered. This research gap is addressed by providing deeper insights into the case of South Africa. On the one hand, this gap in South African class positions on trade provides the basis for the research question in this study. On the other hand, a historical materialist perspective offers tools to investigate the puzzle because it considers the critiques of the capitalist mode of production and its class struggle. If we consider the complex setting of state and society, it is not enough to only look at structures if we want to understand the position of South Africa in the EPA. Most theories in this research are focused on the Western model of statehood (based on Weber 1921) and on the political and legal formation of the state and the fragile states in Africa (e.g. Risse 2011; Rotberg 2003; Migdal 1988). However, these ideas on the state do not consider the social struggle within the state. The focus remains on the political sphere and not on the interaction between the economy and the state. In contrast, the developmental state debate focuses on the interaction between the state and business as one of the main driving elements (Evans 1995) besides the importance of bureaucracy and state intervention (Pitcher 2012b: 247; Johnson 1999: 37–40). However, the concept was successful due to authoritarian Asian states as well as the specific moment in global development. The developmental state is a concept that is also adapted for other states, for instance, for Latin American (Schneider 1999) or South African development (Pitcher 2012a). At the same time, the postcolonial state, as Burawoy (2014: 970) points out, was understood as a homogenous bloc and a single entity. The postcolonial state "has become even more fluid today" (Randeria 2007: 26) because of the entanglement between the internal and the external as well as the non-existence of boundaries among the actors. At the same time, class-based social relations are still shaped through former colonial rulers (Alavi 1972: 59–61).

The chosen historical materialist framework can counter the weakness of the presented theories on social struggles because it considers the capitalist state, capitalism and social classes (e.g. Schaffar and Ziai 2011; Bayart et al. 1999; Elsenhans 1996). In order to fill the research gap, the analysis in the book considers classes and their fractions and provides further investigation on (South) African classes as well as the relationship of forces in the global South.

Theoretical Framework

In order to understand the puzzle at hand, a historical materialist perspective is an asset for the analysis of the EU–SADC EPA. In general, materialist state theory (e.g. Barrow 2016; Gallas et al. 2011; Jessop 1990) particularly considers classes and class fractions as well as the structure of the capitalist state. This perspective provides the possibility to understand the field of struggle within the capitalist mode of production and the involvement of various class fractions. In short, a historical materialist approach provides the opportunity to consider not only the political sphere but also the capitalist system. The state symbolises a social structure based on the capitalist mode of production and exploitation. Therefore, the state and capitalism are interrelated (Gallas et al. 2011; Hirsch J. 2005b: 15). With this perspective, it is also possible to analyse classes and consider the capital class as an important indicator of power. This perspective allows for an elaboration of the relationship of forces at the time of rejection by the South African government, and it gives a possible explanation for the conclusion of the EPA. It also provides the advantage of understanding the specific structure of the semi-peripheral capitalist state and the relationship of forces as it exists in South Africa. However, it is not clear whose interests were dominant or hegemonic regarding the EPA in South Africa, how hegemony was achieved or how fragile and stable the current hegemonic interests actually are. Therefore, historical materialist state theory builds a bridge between the political, the state and the capitalist mode of production in a manner similar to class analysis as an ensemble of political, ideological and economic factors (Poulantzas 1975b: 14–15). According to Poulantzas,[4] a capitalist state must not be indicated as a black box, a thing, a subject or an institution, which can be manipulated. Instead the state "is rather a relationship of forces, or more precisely the material condensation of such a relationship among classes and class fractions, such as this is expressed within the State in a necessarily specific form" (Poulantzas 2000 [1978]: 128–129). This conceptualisation provides the opportunity to look behind the power structures. The state consists of different fractions within the nation-state and beyond. These class fractions have different purposes, and they represent various classes. Poulantzas' starting point is the capitalist mode of production and the struggle between capital and labour. Besides struggle within the bourgeoisie and its fractions, also the struggles within the popular classes as well as among the bourgeoisie and popular classes take place (Poulantzas 1976b). With the concept of popular classes, Poulantzas goes beyond the dichotomy of the capital and labour nexus. His theory-practice relation is one advantage of Poulantzas' state conceptualisation because he not only criticises the capitalist state but also rethinks its mode of practice in the political sphere (Poulantzas 2000 [1978]: 251–265). My analysis draws on the rising, mainly German, debate on Poulantzas' theoretical work (Barrow 2016: xviii–xix, Gallas et al. 2011, Hirsch and Wissel 2011) and on the analysis of the transformation of statehood and class-centred analysis (e.g. Gallas 2016; Forschungsgruppe ›Staatsprojekt Europa‹ 2014; Buckel 2013; Bruff 2012; Wissel 2011). Most of the contemporary applications and reworkings of Poulantzas' concepts of state and classes remain in Western societies. In the 1970s and 1980s, Poulantzas' theory had already been adapted to explain the exceptional state, the apartheid state in South Africa, and been criticised that his conceptualisation of fractions might be too limited for application to the South African apartheid state (Clarke 1978), but with upgrading the of Poulantzas concept, the application addresses the shortcomings. Currently, many more studies have been conducted in which Poulantzas' theory appears in different geographical spaces, mainly Latin America (e.g. Jenß 2016; Leubolt 2015). Although we have experienced some changes within our Western society and in the global system, Poulantzas' analysis of social classes within the capitalist state is still relevant as we can use his theoretical conceptualisation to explain the relationship of forces and to understand current developments. However, an update on the social formations and capitalist developments is necessary in order to address global and national developments. This is particularly true for changes in the transnationalisation of the state and classes as these were at the beginning of the process in the 1970s. His own analysis of the social formation within the exceptional state in the peripheral states of Europe (Poulantzas 1976b), for example, Greece, Portugal and Spain, shows that it is possible to identify class relations in barely industrialised capitalist states as well as dependencies and power relations in the North-South relations. This is a good starting point for analysing class relations in peripheral settings and extending Poulantzas' concepts with a further focus on ideological, cultural, historical, economical and political developments as well as social formations. The specific state formation of the postcolonial state and the further relationship of forces, like race, have to be taken into account. Race is not only an important analytical category, but also a specific form of the capitalist mode of production that has to be integrated (Wolpe 1988). The theoretical concept provides specific categories and definitions in order to analyse the relationships of forces.

Firstly, the capitalist state is one space for decision-making, power relations and the relations within those power relations. Importantly, the capitalist state is neither an instrument of the ruling class nor a subject (Poulantzas 2000 [1978]: 81, 1976a: 74). It is constructed as a political dimension and as a "specific materiality" (Poulantzas 2000 [1978]: 129). The state is a configuration which is produced by class contradictions. These class contradictions and social divisions demonstrate that the state cannot be a monolithic bloc because "the State is itself divided" (Poulantzas 2000 [1978]: 132). The capitalist state thus reflects the hegemony of the power bloc and the ruling class and is involved in the class struggle (Poulantzas 2000 [1978]: 38, 136). The state is also the terrain of struggles in the relationship of forces. The capitalist state

> [...] organizes the market and property relations; it institutes political domination and establishes the political dominant class; and it stamps and codifies all forms of social division of labour—all social reality—within the framework of a class-divided society. (Poulantzas 2000 [1978]: 39)

Besides the internal relationship of forces in the power bloc, the state also assembles "the relationship between that bloc and the dominated classes" (Poulantzas 2000 [1978]: 140). Consequently, the capitalist state provides the terrain of the class struggle with various classes and fractions. State policy is a result of the relationship of forces and the contradictions on the terrain of the capitalist state (Poulantzas 2000 [1978]: 132). At the same time, the capitalist state has to secure the capitalist relation of production as its existence relies on the reproduction of capitalist relations (Poulantzas 2000 [1978]: 191). However, the state and the economy still have relative autonomy, although they are highly interrelated. With the shift to internationalisation, Poulantzas emphasises that the capitalist state and struggle takes place in the space of the national state, but the capitalist relations are not restricted to the nation-state (Wissel 2007: 91) as social formations also appear on the international level (Poulantzas 1974). The internationalisation of the nation-state and capitalist relations have occurred through the dominance of American capital and the transformation of the division of labour to a global division of labour. Due to the overaccumulation of capital (ten Brink 2013: 187–188) in the metropolises, reconstruction of the global production chain has emerged and investments have shifted to the global South, for example, China. Poulantzas defined this as an "imperialist social division of labour" (Poulantzas 1974: 160).

The state apparatuses also mirror the class struggle and contradictions. Similar to Gramsci,[5] Poulantzas distinguishes between repressive and ideological state apparatuses. They have relative autonomy from each other as well as within the hegemonic class or fraction (Poulantzas 1973: 47). The state apparatuses also have an economic role, but the economic apparatus can influence the cycle of capital (Poulantzas 2000 [1978]: 170–171). National and international state apparatuses exist, and similar contradictions in the social relations take place as in the national state. International state apparatuses are similarly embedded in the relationship of forces, although they are weaker than the national state apparatuses (Brand et al. 2011: 162, 164). Brand et al. (2011) defines this as a second-order condensation of societal relationships of forces. Considering the conceptualisation of Poulantzas of the capitalist state and the national/international state apparatuses, they are key categories for the terrain of struggle in the analysis of the South African perspectives and actions in the Economic Partnership Agreement negotiation. As the arena of negotiation, it mirrors the interrelation between the national relationship of forces and the international relationship forces, which also have contradictory positions.

Secondly, Poulantzas' understanding and definitions of classes and their fractions as well as their contradictions provide the analytical framework for the empirical analyses. He differentiates between the dominant classes, the petty bourgeoisie[6] and the popular classes.

Within the bourgeoisie as the central class of the dominant classes, there are different types of bourgeoisie, and they are connected to different forms of capital and sectors. There are three major bourgeoisies: the national, the comprador and the interior bourgeoisie. All of them are ensembles of dominant class fractions of the capitalist and governing classes.

The national bourgeoisie has its interests in national economic development and is linked to the industrial sector and the sectors that are dependent on it, such as the commercial and financial sectors. The national bourgeoisie consists of domestic capital, but depending on their production, they have linkages to foreign capital (Poulantzas 1973: 39, 1975a [1973]: 70–71). In contrast, the comprador bourgeoisie is "that fraction whose interests are entirely subordinated to those of foreign capital, […] and direct intermediary for the implementation and reproduction of foreign capital in the countries concerned" (Poulantzas 1976b: 42). It is characterised by fewer interests in national policies as it is bound at the economic, ideological and political level to foreign capital (Poulantzas 1976b: 42–43, 1973: 39). It is also "concentrated in the financial, banking and commercial sectors, but it can be also found in the industrial sectors in those branches wholly dependent on and subordinated on foreign capital" (Poulantzas 1976b: 42). Poulantzas distinguishes between national and comprador fractions because they have different connections to capital formation, ones that are not necessarily associated with big and medium capital and which can be found in national and foreign capital. A third central type of bourgeoisie is the interior bourgeoisie[7] (Poulantzas 1976b: 43) that emerged due to internationalisation and is characterised by contradictions. Although it is connected to and dependent on foreign capital the interior bourgeoisie supports its own markets, industrial development and state intervention (Poulantzas 1976b: 42–43, Poulantzas 1975a [1973]: 72–73), the interior bourgeoisie does not have the capability to overcome the contradictions with foreign capital and the comprador bourgeoisie. The result is that they are politically weak and will most likely be unable to become a hegemonic fraction and rule the power bloc. The interior bourgeoisie struggles between monopoly and non-monopoly capital, and it also mirrors the contradiction between various forms of capital like foreign, industrial, banking and commercial (Poulantzas 1976b: 43–45).

The interests of the various fractions of the bourgeoisie are represented and organised within the state. The relation between the state and the dominant classes is characterised by the contradictions between the dominant classes because the fractions in the power bloc have diverging interests (Poulantzas 2000 [1978]: 132–133). Among those fractions are "the big landowners […]; non-monopoly capital, or its commercial, industrial or banking fraction; monopoly capital […]; internationalised bourgeoisie or domestic bourgeoisie" (Poulantzas 2000 [1978]: 133). The state implements the political interests of the power bloc under the hegemony of one dominant class fraction. The result is that the state and the dominant classes under the hegemony of one fraction are quite dependent as well as interrelated to each other. The dominant classes need the state apparatus to keep their particular power within the state (Poulantzas 2000 [1978]: 142).

Within Poulantzas' analytical framework, he goes beyond the simple dichotomy between the working class and the capitalist and subsumes the dominated under the popular classes (the original French term: classes populaires). In his discussions, the working class is regarded as part of the popular classes and "economically defined in the capitalist mode of production" (Poulantzas 1973: 30). In several discussions about the working class and the forms of labour, Poulantzas refuses to engage in economic reductionism and considers the political and ideological elements. The working class is not only distinct from the bourgeoisie through the economic level, but also through ideology in practice (Poulantzas 1977: 121–122).

The working class can bring interests together and form alliances within the popular classes, but there are also contradictions between them (Poulantzas 1973: 34). Beyond this, the working class does not exist strictly within national boundaries and is hence interconnected to the internationalisation of capitalist relations (Poulantzas 1977: 119). It is possible to find compromises between capitalist fractions and the working class, although other fractions in the bloc do not support these compromises (Poulantzas 2000 [1978]: 144).

Within the popular class, the working class is the most visible and defined class, and most debates concentrate on the working class and its fractions. Both classes

> are still classes with their own specific interests. In other words, the concepts of 'class' and 'people' are not coextensive: according to the conjuncture, a class may or may not form part of the 'people', without this affecting its class nature. (Poulantzas 1973: 33)

Even if they are located as dominated class fractions, it does not mean that the working class fractions and popular class fractions are one single bloc against the power bloc. Political struggle by the popular classes creates power threats, but they are not able to overcome the power of the dominant classes "without radical transformation of the State" (Poulantzas 2000 [1978]: 142). Even if the popular classes had the opportunity to question the power relations, it would be impossible for the popular classes to hold this power. It is possible for the dominant class to reframe the power or move it to another state apparatus (Poulantzas 2000 [1978]: 143). Therefore, in this state formation, the popular classes have no chance of being the hegemonic fraction. As Poulantzas explains:

"Even if there is a shift in relationship of forces and a modification of state power in favour of the popular classes, the state tends sooner or later to re-establish the relationship of forces in favour of the bourgeoisie, sometimes in a new form" (Poulantzas 2000 [1978]: 143).

The principal relationship of forces and the power bloc continue to exist in a similar way related to dominance and oppression within the capitalist mode of production and the state.

The main analytical categories and relations are simply highlighted in Fig. 1.1. This figure summarises analytical categories from Poulantzas' theory of the state as well as the connections between the different classes and each other and presents the relationship of forces in the state as a terrain of struggle. It shows the relationship between the power bloc and the popular classes. The power of the fractions within the power bloc differs, however; they also organise hegemony over the popular classes. Thus, the dominant classes have better access to the state, but the state still has relative autonomy towards the power bloc. The popular classes are not part of

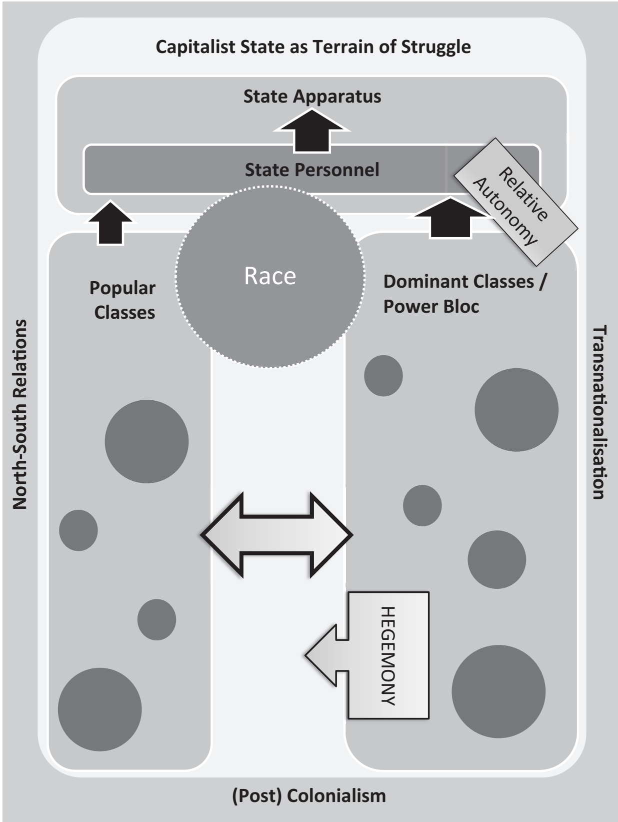

Fig. 1.1 Poulantzas upgrade. Source: Author's summary based on Demirović (2007) and Author's upgrade

the power bloc and are unlikely to become the hegemonic class, but are used by the bourgeoisie to support hegemonic interests.

Thirdly, this section adds context regarding a specific historical heritage in order to open the possibility of travelling with Poulantzas in the global South. In order to identify those fractions in the South African case, Poulantzas' concept is enlarged to address specific global and national developments since the 1970s. The idea is to complement Poulantzas' concept with elements from the specific empirical case of South Africa as well as to address changes in the global order. Poulantzas' political economy approach can, in alliance with a postcolonial perspective, overcome the accusation of Eurocentrism (Wallerstein 2002) and strengthen the linkage between political economy and postcolonial theory (Pollard et al. 2011: 7). Therefore, perspectives on transnationalisation, North-South relations, postcolonial structure and race are further points of reference embedded in the analytical framework as Fig. 1.1 shows.

This framework allows for the application of Poulantzas' capitalist state theory on an abstract level in the global capitalist system as well as the South African capitalist state. The conceptualisation is relevant for the current research in order to understand the setting in which the classes and fractions act as well as the complex relations at a national and international level. South Africa's trade agreement supports the location of different spaces of struggle and sets the scene for the analysis.

Historical Materialist Policy Analysis and South Africa's Specific Situation

Poulantzas did not design a concrete application-oriented method for analysing the classes; historical materialist policy analysis (Kannankulam and Georgi 2014; Brand 2013) therefore provides the heuristic framework for further empirical analysis of the relationship of forces. In order to address the functionalist understanding of policy, HMPA understands the state as a social relation that is formed by social forces (Brand 2013: 426). It provides a heuristic framework for operationalisation in identifying the relationships of forces in South African trade policy. The starting points are the classes and how they articulate themselves in the contested terrain. Besides identifying the main driving forces on a general level, the relationship of forces within those class fractions are important to highlight in order to understand the processes and dynamics in the class relations. As Fig. 1.2 demonstrates, the HMPA is structured along a context, actor and process analysis that are also applied in the presented analysis.

In order to address the South African class relations, it is necessary to include specific issues related to South Africa like class and race dynamics, North-South relations including colonialism and transnationalisation.

In the case of South Africa, the question of race needs to be included in the analysis. In order to avoid class reductionism as well as overstating race, the category "race" will be an integrated horizontal category within the above-mentioned categories. Considering race within class relations enables one to understand the different inequalities that exist based on race and class. Class and race are not separated, but rather interwoven (Fanon 2004: 5); hence, considering only one would lead the analysis too

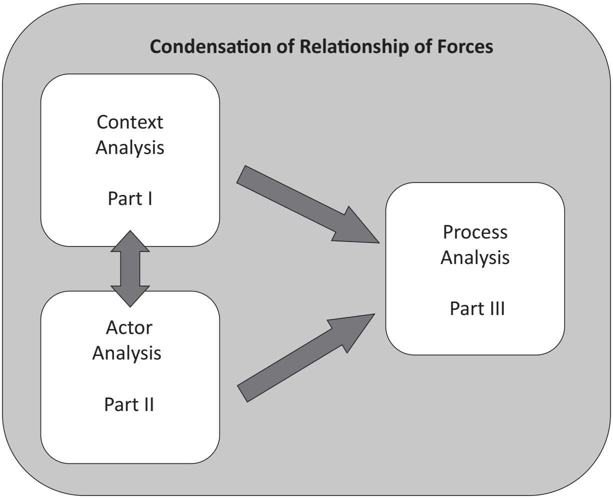

Fig. 1.2 Three-step analysis. Source: Author's illustration based on Kannanuklam and Georgi (2012, 2014)

far away from the relationship of forces. Hall (1980: 341) connects class and race in the way that "capital reproduces the class, including its internal contradictions, as a whole—structured by race." Class shapes not only social and economic relations but also race. Surely, the matter of race is not only an economic but also a political and ideological factor. This is the entry point to analyse class and race as a form of power relations in contemporary relations in South Africa. In practice, this means that certain aspects have to be distinguished like industrial capital regarding the ownership of the respective capital and to study whether the owners of capital from different origins have similar interests as capitalists or not. In contemporary South Africa, there is a differentiation between black- and white-owned capital. While this differentiation is based on a superficial level of skin colour, they are also shaped by their different positions in the capitalist mode of production—even if blacks and whites in South Africa use these categories and define themselves according to these categories. The reasons for this are twofold. On the one hand, for centuries identity was shaped based on appearances that were used for discrimination and exploitation. On the other hand, due to Black Economic Empowerment and further divisions, for example, in statistical data, these differences are still reproduced through political and everyday practices (e.g. Durrheim et al. 2011). Due to the historical linkages and heritage, it is important to link class and race in the investigation.

It is also necessary to address the complex setting of transnationalisation, North-South relations and postcolonialism as Fig. 1.1 shows. The global structures also play a crucial role in understanding the shifting of the relationship of forces as well as compromises and coalitions between the fractions of the ruling and hegemonic classes as well as the popular classes in South Africa. Relationships of forces are transnational and interwoven with the national relationship of forces. Thus, transnationalisation of the capitalist state has resulted in the emergence of transnational classes and bourgeoisies (e.g. Hirsch and Wissel 2011; van Apeldoorn 2004: 162; Robinson 2002; Sklair 2001).

The postcolonial state emerged directly as a transnational capitalist state embedded in a global capitalist system and is shaped through fluid boundaries between domestic and foreign. In this arena, it is hardly possible to fathom a strategy (Randeria 2007: 26, see also Claar and Krämer 2010). In this constellation, colonial heritage and colonial rule impact the state formation of postcolonial states as well as influence the formation of elites and classes (Alavi 1972: 59–61). In addition they are still influenced by the political, economic and legal system of the colonial rulers as their colonial practices continue (Chowdhry and Nair 2004: 11). This intervention by foreign bourgeoisies remains present in the transnational postcolonial state and its society. In connection with Poulantzas' concept, the link to older colonisers has an impact on the current relationship of forces beyond the framing of a comprador bourgeoisie because the old and new ruling classes battle for influence in South Africa.

The structural relationship between the North and South shapes economic and trade relations beyond the EU and South Africa. The dominant explanations and principles in global trade are based on the liberal principle of free trade (Schwank 2007: 92–94). This principle is embedded in global economic institutions like the World Trade Organization and reproduced through multilateral and bilateral trade agreements. Within this sphere, peripheral states struggle to connect to the economic status of the global North and to protect themselves from further market liberalisation. Trade agreements consist of a liberal conjunction and transfer liberal capitalist structures of the developed to the (semi-)peripheral states like South Africa (Claar and Nölke 2013).

Methodically, the analysis is based on secondary data like research, legal texts and media as well as expert interviews with South African trade specialists. In order to support HMPA, data were analysed based on central categories from the theoretical framework as well as the empirical field. Besides the different class and class fraction categories, the following empirical categories were identified: global and regional developments, South Africa's position in the EPA, the process of the EPA and the controversial EPA issues in connection to the theoretical framework. The collected data have been used to reanalyse and understand the relationship of forces in the EU–SADC EPA process from a neo-Poulantzian perspective within the HMPA framework.

Structure of the Book

The HMPA, as shown in Fig. 1.2, is the blueprint for the structure of the book. In Part I, the context analysis identifies historical path dependences, historical context and social structures. Thus, Part I focuses on the South African political economy from a national and transnational perspective. Thereby, South Africa's features of capitalism and its major economic and trade policy developments are demonstrated in the national context. Major debates and conflicts are discussed, and the analysis also considers recent developments in the South African economic and political crisis (Chap. 2). South Africa is globally and regionally connected in various ways. The focus in the transnational context (Chap. 3) is on South Africa's international trade relations with important trade organisations like the WTO, but also with the new rising informal organisation of BRICS as well as in the region. Finally, an analysis on trade relations with the European Union is provided as background in order to understand South Africa's position in the EU–SADC EPA.

Part II, the actor analysis, provides insight into South African actors in economic and trade policy issues. These actors are identified through the theoretical categories of Poulantzas' classes as well as through their strategies, press statements, position papers and further statements. Part II addresses the general structure of class, its relation to other classes and fractions and the position regarding economic and trade policy matters, if applicable. The actor analysis generates hints for a plausible explanation of class positions, something that is useful in the subsequent step. Part II provides the basis for Part III, which analyses the South African relationship of forces on the national scale. Different capitalist classes are located according to economic sectors due to the historical evolution of their importance for the capitalist system. The dominant capitalist class fraction, mining, is explored along with manufacturing, finance, banking and agricultural capital (Chap. 4); different capital interests and conflicts among them are demonstrated. Besides the capitalist classes, the fractions of the political elite are discussed in the context of the capitalist classes and contradictions within the elite. The African National Congress and its alliance partners, the South African Communist Party and the Congress of South African Trade Unions, are important actors in the terrain of struggle (Chap. 5). Within the struggle, the popular classes, including the working class, are investigated in terms of their impact on trade and economic policy. The contradictions between institutionalised worker representation and ordinary workers are also shown (Chap. 6). Within the state, there are trade and economic state apparatuses like the National Treasury, the Department of Trade and Industry as well as Parliament and the National Economic Development and Labour Council (Chap. 7). The actor analysis provides the first step in opening up the black box of class fractions on the position of the relevant actors in economic and trade policy.

The process analysis is addressed in Part III and elaborates on the reconstruction of the EU–SADC EPA process. In order to understand the conflicts in the EPA, the general road map (Chap. 8) and the historical evolution of the process is demonstrated. The chapter also provides the background and overall framework of the EU–SADC EPA process and its main conflicting issues. South Africa's role in the process is highlighted, which leads to the major analysis of South African class fraction perspectives on the issues in trade in goods and trade in services and investment as well as deep integration (Chap. 9). The analysis draws on this process and centres on the conflict within the interim EU–SADC EPA. It demonstrates that different class interests on trade in goods, trade in services and deep integration resulted in a class compromise to reject the agreement. The reconstruction of the relationship of forces offers a closer insight into the South African power bloc and resistance to the EPA. The class compromise lived only for a short time, and the South African government continued the negations and concluded an agreement in 2016 in favour of agricultural capital (Chap. 10). This supports the analysis of class fraction interests in trade policy. Subsequently, this part opens up the black box of class fraction interests and their relationship of forces in the EPA negotiations.

Finally, in light of the previous analyses, the conclusion (Chap. 11) provides a summary of the results and examines the possibility of applying Poulantzas' concept in the global South, particularly in terms of how it is useful in identifying the relationship of forces in South Africa. The future of trade agreements and policy interventions is discussed with a focus on what role different relationships of forces have on the national and transnational scale.

Notes

1. Central to this clause is that all given trade preferences to a third party would automatically be granted to the EU. Generally, the MFN clause is already regulated in the GATT Art. 1; however, there are also exceptions for bilateral trade agreements (WTO 1994).
2. Only the Cariforum EPA was a full EPA; it was signed in 2008 (European Parliament 2009: 7).
3. Industrial countries have not been successful with implementing further trade facilitation beyond trade in goods and the existing agreements on trade with services as well as on intellectual property rights within the WTO, although they have hardly tried to do so since the WTO's Singapore Ministerial. Following the logic of economic integration, deep integration is considered the final step in integration. Harmonisation in different economic fields, like intellectual property rights, competition policy or regulation of investment, is the main target of deep integration (Claar and Nölke 2012a). These issues are highly controversial within the multilateral trade regime and further harmonisation of the regulations has not been implemented within the multilateral trade regime. WTO meetings and rounds, like Cancun or Doha, have not and could not be concluded as of yet. Hence, the EU and USA have drawn their conclusions from this situation and changed their strategies from multilateral to bilateral agreements.
4. Through his work, Poulantzas made an important contribution to historical materialism, especially to materialist state theory. It is not necessary to refer in detail to his biography, but Poulantzas' scientific work with Louis Althusser and Jean-Paul Sartre was significantly connected to his political activism within the European communist left (Jessop 1985: 3-4; Hall 2000 [1978], 1980: vii).
5. In addition to Marx, a further reference point are Gramsci's elaborations on the state, which are central for the further development of materialist state theory (e.g. Althusser 1977; Poulantzas 1975a) as well as in neo-Gramscian international political economy (e.g. Bieling 2011; van der Pijl 1997; Gill 2003; Cox 1981). For Gramsci, the state is more than just a functional apparatus or a bureaucracy; the state is part of the society (Hirsch et al. 2008: 93).
6. Besides the bourgeoisie and the popular classes, Poulantzas differentiates between the traditional and the new petty bourgeoisie and the popular classes. They are not part of the power bloc and are unlikely to become the hegemonic class, but are used by the bourgeoisie to support hegemonic

interests. The relationship between the new petty bourgeoisie and the working class is much closer than the traditional petty bourgeoisie. Although there is an increase in the middle classes in South Africa (e.g. Ndletyana 2014; Southall 2014), the petit bourgeoisie plays a less relevant role in the relationship of forces in the field of trade policy and will not be considered in the subsequent analysis.

7. In the translation of the book *Dictatorship*, the term domestic is used, but in other works the term interior or internal is used. I prefer interior, because it differentiates the idea more precisely from the national bourgeoisie.

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PART I

South Africa's Political Economy

CHAPTER 2

National Context: Contemporary South African Capitalism, the State and Its Policy

South African capitalism and the state were based on race and class during the era of apartheid. Based on a racial capitalist system and exploitation of the black population, in particular the black working class, South African capitalism was highly successful until the 1970s. At the same time, the working class was divided by different strategic interests (Hall 1980: 309):

> In a racial capitalist system things are more complicated. Whatever its benefits to capitalists, the system is at particular risk because reinforcement of class consciousness by racial consciousness among the dominated defines some particularly volatile and dangerous possibilities. (Saul and Gelb 1981: 12)

The emergence of black capitalism in the apartheid system was limited, and the few who could run a business were dependent on white capital. According to the law, black entrepreneurship was restricted to the townships and highly regulated as white capital had an interest in gaining access to the black consumer market (Saul and Gelb 1981: 79).

Although the apartheid state has been overcome, race still matters in contemporary South Africa. Social relations are influenced by former racial advantages and disadvantages. Interdependency between both categories still exists in the South African political economy. There was a shift from race-based capitalism during apartheid to class-based capitalism since democracy (Bond 2004). In addition, Hart and Padayachee (2013:

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76–77) show that black capitalism has even had limited success in the current system, because Black Economic Empowerment (BEE) and the capacity of the capitalist state are not enough for the long-term establishment of black capitalism.

South African apartheid was also defined as Colonialism of a Special Type (CST). This concept addresses the specific South African constellation as a white advanced capitalist economy and non-white-dependent colony. Society is divided along racial and capitalist terms, and capital accumulation takes place through racial domination. Within the South African capitalist state, there is a colonial relation between white and black. Theoretically, CST provides for the capitalist order to be eventually transformed into socialism (Padayachee 2013: 14; Wolpe 1988: 29–31, 35). CST, first articulated by the South African Communist Party (SACP) in the 1920s, provided the basis for the liberation struggle. It is part of the National Democratic Revolution (NDR), a concept still followed by the African National Congress (ANC), SACP and Congress of South African Trade Unions (COSATU). Its first step is the abolition of racial oppression and colonial structures, and its second step is an anti-capitalist struggle to implement socialism (Harvey 2014; Padayachee 2013: 14). CST has been discussed from a theoretical perspective (e.g. Wolpe 1988: 28–36), but it has also remained part of the political programme of the SACP (Marais 2001: 263).

With the overthrow of the apartheid system, the dependencies between white and non-white South Africans could have been reduced. This racial domination of South African capitalism also consists of "a decidedly 'neo-feudal' character, marked by a cult of white, male leadership, cronyism between firms, banks and government, a relative absence of competition, weak democracy in the workplace and lack of a flourishing SME [small and medium enterprises] culture" (Padayachee 2013: 19). In recent years, the interrelation between government and business has turned into a form of crony capitalism based on close relationships between the state and the business. In the South African case, access to the ANC government is easier for black-owned business, while the dominant white-owned business needs BEE counterparts in order to gain access to information, state tenders and so on (Nölke and Claar 2013: 44–45; Reed 2006). The ANC government supported black-owned business with BEE and public procurement (Hirsch A. 2005: 212). At the same time, South African capitalism is also shaped by a strong interrelation between the ANC as a ruling party and the party structures. The close state–party relations are not a new phenomenon as it also created strong state–party relations under apartheid. With the start of the Mbeki administration, ANC and state matters were no longer distinguished. This continued with President Zuma, who is in office since 2009. His second term ends in 2019. In practice, the cabinet and parliament had to agree with the ANC National Executive Committee decisions. In practice, the two centres of power thus became one (Booysen 2011: 360–364). The state apparatuses were filled with ANC officials who were accountable to the party leadership in order to ensure party discipline across all areas, even in parliament, and to "close down dissent within the party" (Gilomee et al. 2014: 173). Ideological divisions between the party and labour movement, in particular within COSATU, also became more visible in political debates (Beresford 2016: 26–28). Parallel, the tripartite alliance of ANC, COSATU and SACP also has different ideological debates on economic and social policies. The ANC dominated these debates (Pillay 2011, see more in chapter 5).

A further feature of South African capitalism is the impact of mining, energy and finance on the economy, which is described as a minerals–energy complex (Fine and Rustomjee 1996) or minerals–energy–finance complex (Ashman 2015: 69): "[…] The MEC as a system of accumulation, centred on core sectors that has a character and dynamic of its own that has evolved and was far from pre-determined" (Fine 2008a: 2). The MEC has existed since the beginning of the industrialisation process in South Africa. The importance of these connections was highlighted by the apartheid state, because it implemented parastatal corporations like Eskom (electricity) and SASOL (petroleum) to support the mining sectors in the 1950s and 1960s (Marais 2011: 19). These state investments supported a more capital-intensive economy (Seekings and Nattrass 2005: 160). The apartheid state privileged Afrikaner conglomerates for public procurement before the arrival of English capital and allowed them to invest in mining, industry and commerce. The new parastatal companies were also controlled by Afrikaner capital (Nattrass and Seekings 2010: 37; Saul and Gelb 1981: 10–13). The MEC accumulation regime has a path dependency and remains central to South African capitalism, although the importance of mining has declined (Hart and Padayachee 2013: 75, McDonald 2011: 66; Fine 2008a: 2; 2008b). The core of the MEC remains, but it also recognises and adapts changes, for instance the high relevance of finance and the growth of the platinum industry (Ashman 2015: 74; Ashman and Fine 2013). Services and finances have developed close links to the MEC (Ashman 2015; McDonald 2008: 2, 11; 2011: 82), and the main principle is that labour and investment are taken short while the global shareholder receives the profits (Ashman 2015: 76–78). Another aspect of South African capitalism and the MEC is that it is highly affected by capital flight because of corporate restructuring and the limited interests of South African firms in investing in their home market (Ashman 2015: 68; Hart and Padayachee 2013: 75–79). In the beginning of the new democracy and due to BEE, the easing of exchange control restrictions on residents resulted in the outflow of capital from large conglomerates like Anglo-American, Old Mutual and South African Breweries to the London Stock Exchange in order to raise capital for more investment (Mohamed 2010: 46). Additionally, the South African market also experienced capital outflows due to financial crisis, for example, the dotcom crisis resulted in a currency crisis that was followed by high rates of inflation. The South African market is thus vulnerable to capital flight and international occurrences (Mohamed 2010: 42). Price fluctuation and commodity speculations also impact the South African market. Due to the high number of commodities exports, the profit depends on the global market price, for example, platinum, as well as on the exchange rate of the rand to the US dollar. At the same time, several commodities also have to be imported, like oil. Despite the international impact due to the financial crisis and the increase of the oil price, some challenges are home-grown, like debates on nationalisation and lower production. Simultaneously, the policies have been inconsistent over time and could not address unregulated capital flows, high inflation, floating exchange rates and commodity prices (Ashman 2015: 73–74; Kganyago 2012; Mohamed 2010: 50). These developments remain characteristic to the nature of South African capitalism. The specific accumulation regime of the minerals–energy–finance complex provides ground for international links and supports the volatility of South African economic development. The general characteristics of the racial capitalist system and its contradictions have also been mirrored in inconsistent economic and trade policy choices in the last decades.

Point of Departure: Economic and Trade Policy During Apartheid (1948–1990)

During apartheid, the South African economy experienced economic crises due to national and international incidents like the decline of manufacturing production, the oil crises of the 1970s and 1980s and states of emergency in the 1980s. In numbers, South Africa's high economic phase saw a growth rate of 4.5% per annum from 1934 to 1974. Since 1974, the growth rate has decreased and the unemployment rate of the black population has grown. Economic growth from 1980 to 1993 was 1% per annum (Roux 2005: 172) and the economy stagnated (Terreblanche 2002: 65). The economic structure was heavily dependent on political racial discrimination, and the whole production and consumption system was racially structured (Gelb 1991: 13). According to Gelb "[the] combination of apartheid and import-substitution industrialisation can be seen as the defining characteristic of 'racial Fordist' growth model" (Gelb 1991: 13). With import substitution industrialisation (ISI), "the state continued the promotion of secondary industrialisation with high tariffs, selective subsidisation of capital, and an overvalued exchange rate" (Seekings and Nattrass 2005: 141). ISI was different in South Africa than elsewhere because of the apartheid laws, which restricted self-employment and "entrepreneurial activity in the towns" (Seekings and Nattrass 2005: 142). The aim of ISI was to support domestic production, so tariffs, quotas and duties were some of the measurements introduced (Bell 1993: 82).

ISI was interrupted by two main liberalisation phases during apartheid: the first between 1972 and 1976 and the second starting in 1983. One of the main reasons was that ISI was not producing growth in several sectors and gold, the main export commodity, struggled. A more liberal and export-orientated strategy, export development assistance, was therefore introduced in 1972 along with import liberalisation to reduce protection (Edwards et al. 2009: 153; Bell 1993: 84–85). Until 1983, South Africa had a dual exchange rate system. This system was abolished, as were exchange controls for non-South Africans as a further step towards liberalisation (Bell 1993: 87) and the reduction of protection.

Despite this reduction, protection levels rose again later in the 1980s, especially due to the debt crisis in 1986. By the end of 1988, South Africa was more protected than in 1984 (Alves and Edwards 2009: 207–208; Bell 1993: 89). However, in 1989 two structural adjustment programmes for the motor vehicle and textile-clothing sectors were implemented to reduce tariffs and support trade liberalisation. Tendencies towards non-export in these sectors were reduced (Edwards 2005: 755; Bell 1993: 82–89). In anticipation of trade liberalisation creating export growth, support for liberalisation increased, but

> […] by 1990, South Africa was as, if not more, dependent than ever on imports and that import substitution did not contribute at all in the 1980s to the improved balance of trade needed for successful economic restructuring. (Bell 1993: 95)

The "overall trade policy remained protectionist" (Alves and Edwards 2009: 207) and there was no shift to an export-orientated approach as an alternative model to ISI. It was not considered because the "limits to ISI were less evident than they are in hindsight. Support for ISI was pervasive and it had special appeal for nationalists" (Seekings and Nattrass 2005: 143). The long existence of and support for ISI is related to racial capitalism, the successful mining sector and the fact that import substitution was economically necessary for the manufacturing sector (Bell 1993: 90). In short, economic and trade policy experienced vacillation between protectionism and liberalisation, while protection was dominant under the National Party government. The poor economic performance and the swing between protectionism and liberalism was the point of departure for the new government.

From RDP to AsgiSA: All About Growth

In 1994, the ANC and its alliance partners SACP and COSATU won the first free election. Prior to the election, the ANC and its partners developed over six drafts of the Reconstruction and Development Programme (RDP) (Bond and Khosa 1999: 1). During apartheid, the ANC main document was the freedom charter (ANC 1955) that included socialist economic ideas like nationalisation and wealth distribution, but it was soon evident that the ANC had no alternative than to accept a neoliberal economic policy due to international and national pressure (Terreblanche 2002: 88–107, Peet 2002: 73). The RDP was "a vision and framework for the democratic transformation of the economy and society" (Michie and Padayachee 1998: 16) that became the manifesto for the 1994 elections and was the basis for the 1994 White Paper. Central to the RDP were five elements: meeting basic needs, development of human resources, building the economy, democratisation of the state and society and implementing the RDP (RSA 1994: 9). The RDP was designed to address central issues to overcome the apartheid system. Most controversial were the parts related to the economy because of the different perspectives of the ANC, SACP, COSATU and business on the economy. In the two chapters devoted to economic and fiscal policy, the focus was on achieving economic growth of 5%, job creation and attracting foreign direct investment (FDI) (Peet 2002: 70, Bond and Khosa 1999: 32). The RDP also covered trade policy very generally. Of central importance was that South Africa needed to adjust to the General Agreement on Tariffs and Trade (GATT) in the reduction of tariff levels, to consider its neighbours in building its economy, to become part of the Southern African Development Community (SADC) and to restructure the Southern African Customs Union (RSA 1994: 10). As a consequence, South Africa joined the WTO and dismantled tariffs faster than expected by the WTO (Habib and Padayachee 2000: 251–252). The RDP represents indecisiveness on economic policy strategy: socio-democratic or neoliberal. The White Paper showed some tendencies to a more liberal economic policy, which was fully achieved two years later.

In 1996, Growth, Employment and Redistribution (GEAR): A Macro-Economic Strategy was presented as a new economic programme to accomplish the economic shift to a neoliberal macro-economic policy programme (Padayachee and Voladia 2001: 72). It covered achieving a growth rate of 6% per annum, reducing the budget deficit, privatisation, more trade and investment flows, reduction of tariffs, attracting FDI and a flexible labour market (Habib and Padayachee 2000: 252; Marais 1998: 161–162; Department of Finance 1996: 2, Appendix 3). In terms of trade policy, the document concluded that "preliminary indications are that the aggregate costs of trade liberalisation have been kept low, partly as a result of the economic recovery and a resurgence in exports" (Department of Finance 1996: Appendix 10). Within South African class relations, this policy became a symbol for the ongoing class struggle because only a small advisory team around the former finance minister, Trevor Manuel, developed this policy programme. The whole process was not transparent and the tripartite alliance partners, the SACP and COSATU, were not involved in the discussions. Furthermore, "the parameters are not up for negotiation at this stage" (Manuel 1996); this is a statement that signalled social partners that the overall programme direction was non-negotiable. Within the alliance, this was the starting point for further and ongoing disruptions. Capitalist fractions had an influence on the GEAR policy via the South African Foundation, which published an economic report called Growth for All. The report pushed for a strong market position in the GEAR paper (Hirsch A. 2005: 94–95; Habib and Padayachee 2000: 252). The GEAR policy was the central macro-economic policy framework for almost one decade, but it could not address the issue of jobless growth and high unemployment.

Despite its criticism of the economic system, the ANC-led government continued the economic liberalisation policy. Former President Mbeki presented the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) in the state of the nation address in 2006. He announced that the programme "consists of a limited set of interventions that are intended to serve as catalysts to accelerated and shared growth and development" (Mbeki 2006). This was different to the previous economic policy programme, GEAR, as state intervention would be an option for the government to address economic policy directions. Other issues included bridging the formal and informal economy, investments into infrastructure and education, halving poverty and working towards 6% growth per annum until 2010 (RSA 2005). In the context of AsgiSA, trade policy played a limited role. Nonetheless, it addressed the issue of industrial policy as a target to improve capacity for trade negotiations. Although AsgiSA considered some new mechanisms, the overall framework remained the same as in the GEAR policy, particularly its focus on fast growth (Bell 2007, 2006).

Black Economic Empowerment

Within the context of economic liberalisation, legislation and programmes were enacted that had an impact on economic and trade policies. At this point, the emphasis was laid on affirmative action and (broad-based) BEE, for example trade agreements influencing this legislation. The legislation had roots in the idea of overcoming inequalities and disadvantages from previous apartheid laws. During apartheid, jobs and self-owned businesses were highly regulated. Most skilled and well-paid jobs were reserved for white workers, although it was the mass of black workers who produced the surplus value (Seekings and Nattrass 2005: 23). In reality, skill development for blacks was limited not only in schools but also in the workplace. Black business operations were highly restrictive in terms of location and products (Hirsch A. 2005: 205–209). Blacks had limited economic possibilities, and with the transformation, the future black capitalist class had to negotiate their access to the South African capitalist mode of production dominated by white capital. In addressing the issue, the government implemented the Employment Equity Act (No. 55, 1998) to achieve equity in the workplace through positive discrimination for former disadvantaged groups (Hirsch A. 2005: 230). BEE also addressed ownership structure. The number of black owners and black managers had to increase to be listed on the Johannesburg Stock Exchange. BEE was mainly enforced through public procurement, because fully black- or female-owned companies could receive a bid advantage in public tenders (Hirsch A. 2005: 212).[1] The BEE instrument showed itself to be a project for business and the ANC government:

> The established business community and the new government had to find one another, and BEE played a key role in facilitating that relationship. Its subsequent development has been driven by the changing interests and needs of these and various other groups in society, responding, in turn, to the demands of their constituencies. (Lindsay 2011: 238)

As a result, BEE and BEE-related policies created a black corporate class with strong ties and dependence on the political elite of the ANC. This created not only a wealthy black elite, but also a growing but small black middle class[2] that profit from employment opportunities in the public, but also private sector (Southall 2016: 42, 91, 94). A small number of the black middle class as well as black elite profit from their linkages to the ANC as well as from these policies. A new environment to enhance business interests were created, but it did not mean any improvement for the working class: "[E]ven affirmative action, necessary as it is, has mainly benefited the black managerial elite and is hardly making any difference to the economic hardships and exploitation of the working class" (SACP 2007).

The first decade of economic and trade policy was combined with high expectations on the government to meet ordinary peoples' needs. However, the policies had a strong commitment to neoliberal policies like privatisation, tariff liberalisation and creating growth. Economic policies focused mainly on achieving higher growth rates, addressing basic needs, unemployment and positive discrimination. The RDP focused more on social needs in relation to the economy while GEAR and AsgiSA were mainly economic policy programmes. Although first signs of more developmental and protectionist elements occurred in AsgiSA, the general liberal strategy remained. In terms of trade policy, the focus was on taking part in the global trade arena and on tariff liberalisation. BEE was thus a project between government and business and, as a result, a small black capitalist class emerged.

Second Decade: Growth, Industrial and Trade Policy

The first decade of the economic policy was guided by neoliberal thinking, while the second decade focused more on developmental aspects of economic development although the macro-economic policy did not change. Nevertheless, the liberal components remained present, but the economic policies aimed at balancing protectionism and trade liberalisation in their policy papers; it was, however, hardly possible to achieve this in reality (Claar 2014). In government papers, the developmental aspect of economic policy received more attention. This was a government strategy to announce an industrial policy that also has trade policy as an explicit pillar. In 2007, the Department of Trade and Industry (DTI) published the National Industrial Policy Framework (NIPF) that was followed by the Industrial Policy Action Plan (IPAP), which the DTI updates annually. In AsgiSA, the government saw industrial policy as central for generating economic growth and supporting South Africa's industrialisation. The NIPF adopted a sector-based strategy and focused on thirteen strategic programmes, such as skills development, industrial financing and sector strategies, with trade policy also a part of these strategic programmes (Mpahlwa 2007: 3). In general, each sector strategy would consider trade policy. This also meant that tariffs should be decided sector by sector, while the removal of tariffs for some products and the export of non-traditional goods needed improvement. At the same time, foreign direct investment and export promotion was to take place for industrial development. The government supported the multilateral trading system and took part in the Doha round of talks, in particular for the abolition of subsidies in developed countries (DTI 2007: 40–42; Mpahlwa 2007: 3). Interestingly, the NIPF also reflected on the bilateral negotiations with the EU: "We have learned a series of important lessons to guide future bilateral engagements in a manner that will reflect our trade interests more precisely" (DTI 2007: 42).

Trade Policy and Strategy Framework

This shows that trade policy is not separated from industrial strategy and that the government set the stage for building a long-term trade policy. On the NIPF, the DTI introduced a discussion process on trade in 2007 and published the Trade Policy and Strategy Framework[3] (TPSF) in May

2010. This framework was the result of consultation and working together with representatives from other departments, trade unions, business, organisations and individual trade experts (see in detail DTI 2010: 7–9). The TPSF mainly analyses the current trade environment on a global and regional level. In addition to classical issues of tariff reforms, this document also identifies the international trade strategy and further research areas like deep integration issues. Moreover, the paper also highlights the need to create a policy space rather than showing the policy perspective (DTI 2010: 3–4, 45).

Within the strategy paper it is concluded that mainstream theories on trade would see South Africa's comparative advantages in "unskilled labour-intensive goods". In addition, South Africa should increase the export of labour-intensive goods through further trade liberalisation. The reality, however, is different because only high-skilled and technology-intensive goods saw an increase in trade. Also, changes in the demand for labour as well as capital-intensive sectors add to the problem of unemployment and low-skilled labour. The liberalisation process supported the development of capital and skill intensification (DTI 2010: 24–25), but in doing so, "the input costs for labour-intensive and value-adding manufacturing sectors" (NIPF cited in DTI 2010: 28) should be reduced. Therefore, manufacturing "generates positive-spill over effects across the entire economy, and contributes to skills development and technology upgrading" (DTI 2010: 28). Some sectors need tariff protection and state intervention over a period of time. In order to identify these sectors, the government engages with the bourgeoisie and working class (DTI 2010: 17, 29). This is a kind of balancing of liberalisation and protectionism, although the tendency is rather more towards protectionism than liberalisation in the future trade agenda. For instance, a demand-driven tariff policy would be one initiative: reducing and removing duties but also raising or introducing tariffs for sectors where necessary. This means in effect that governmental institutions follow a co-ordinated liberalism as well as protectionism regarding the economic circumstances of the affected sector. In the case of trade in services and investment, no concrete strategy to engage with these issues was formulated. The TPSF focuses on the general situation of trade in services in the trading system as well as the importance for South Africa. However, these statements avoid taking a concrete position on these matters (DTI 2010: 44–45). The only common agreement revolves around the need for more research on trade in services and its impact. Moreover, in order to achieve a common position, all stakeholders should take part in the discussion. In the field of deep integration, policy choices are limited. The major concern is policy space for national development and legislation. The paper also thus highlights the need for creating a policy space rather than simply offering an opinion on these issues (DTI 2010: 45). In addition, points for and against need to be considered before defining a trade strategy on this issue (DTI 2010: 46).

Within this framework, trade policy is linked to economic development strategy, which should result in an upgrading of industrial development. What is important here is that “trade policy lies at the nexus between domestic economy and the global economy [and] must shape the terms and conditions of South Africa’s integration into the global political economy” (DTI 2010: 50). However, the space for national economic development strategies should not be limited. The need for further research, especially on the new trade agenda, was formulated and expected to take place within the government but also with other stakeholders (DTI 2010: 44–47). In contrast to previous policy developments, the government consulted all kinds of stakeholders with different perspectives on trade. In addition to the concrete trade policy, trade continued to form part of the newer economic and industrial programmes.

New Growth Path and National Development Plan

At the end of 2010, the Department of Economic Development released the New Growth Path, in which the necessity for growth was emphasised in order to create jobs. Trade was a crucial part of it, although South Africa’s export of raw materials and import of manufactured goods were to be changed (EDD 2010). In order to solve socio-economic problems of unemployment and inequality, the New Growth Path follows a higher growth strategy similar to the previous programmes. In order to address structural problems, the government introduced a National Planning Commission under the leadership of the former finance minister, Trevor Manuel, to develop a National Development Plan (NDP). This plan presented a vision for 2030 and addressed all areas of economic and social development for a better future. In this plan, trade policy is covered mainly in the section on positioning South Africa in the world on matters like currency and regional and multilateral trade agreements. Key drivers, which still have to be identified, were also supposed to increase investment and global market share (National Planning Commission 2011: 126–128, 242–248). The focus on emerging markets and BRICS as new partners gained more relevance (National Planning Commission 2011: 238–239):

> Trade will be diversified towards emerging economies by improving market access for South African exports, working with regional trading partners to lower tariff and non-tariff barriers, and improving transport and logistics networks in the region. (National Planning Commission 2011: 128)

In general, perspectives on trade do not differ with regard to the TPSF. The NDP identifies policy challenges in all areas of South African society and economy. It is an ambitious policy programme that focuses on growth and employment creation (Ashman 2015: 81; Beresford 2016: 28–29). In 2014, the government issued a Medium-Term Strategic Framework 2014–2019 in order to prioritise government projects already identified in the NDP. The planning and implementation phase is given high priority in order to reach outcomes of the projects and address the visions of the NDP (Radebe 2014). The NDP was broadly discussed among researchers, the government and practitioners, for instance at the Towards Carnegie 3: Strategies to Overcome Poverty & Inequality conference in 2012 in Cape Town. However, the NDP remains controversial within parts of the trade union movement. Most unions had critiqued the NDP and raised it with caution. National Union of Metalworkers of South Africa (NUMSA) was the only union that rejected the NDP completely. They emphasised that the ANC is following the policy of the democratic alliance with the NDP because of issues like deregulation of the labour market, wage flexibility and providing a good business environment (Beresford 2016: 29; NUMSA 2013). In contrast, business welcomes the NDP and sees potential in working together to achieve long-term growth, but the collaboration has to be continual (PWC South Africa 2013). Overall, the government received support for the NDP vision as most see the need to address policy challenges for a better future.

Economic and Political Turmoil

South Africa is experiencing turbulent economic and political times that are mutually dependent on each other.

Economically, South Africa is struggling with divergent growth rates, capital flights, declining commodity prices and depreciation of the rand. This is combined with unemployment, poverty and inequality. In reality, the GDP growth rate was only 1.3% in 2015, also as a result of decreasing exports as commodity demand from China declined (Kumo et al. 2016: 1, 7). Similar to the other BRICS, the South African economic boost is exporting commodities (Prashad 2015: 266) and every fluctuation of commodity prices hits the economy. After a boom in the mid-2000s, commodity prices declined and had an impact on growth and state revenues (Southall 2015b: 2). Together with low commodity prices, declining demand from emerging markets (in particular China), global developments (like the European economic crisis) and domestic politics also impact the exchange rate. The rand depreciation is not a new phenomenon as several sharp drops happened before; however, the sensitivity, instability and volatility of the rand have been persistent since 2013 (Kumo et al. 2016: 6; Bond 2014: 442). This development affects the domestic economy with higher inflation and interest rates. In 2015, the average inflation rate was 4.51% and was expected to increase in 2016 to 6.59% (Inflation.EU 2016). As a consequence, the cost of imports like oil and consumer prices increased. The price increase mainly hits the poor, who can already hardly afford daily needs like food and housing (Kelly 2016; Creamer 2014: 149; Mohamed 2010: 42). With an unemployment rate of 25.3% in 2015, this hits a large part of the population. In 2015 and 2016, South African agriculture production and households were hit by a very long drought phase that turned into negative growth of 12.6%. In addition, the continuing electricity shortage also impacts households and industry (Kumo et al. 2016: 2–4). Generally, as South Africa's investment is financed mainly through corporate savings and capital inflows, the investment climate and economic stability are important for the South African economy (Nattrass 2014b: 135).

This economic snapshot provides only a glimpse into the economic circumstances. The situation needs a strong government that can address these socio-economic challenges. In reality, the South African government is part of the problem rather than an entity dealing with the problems. The political sphere also adds to less confidence in business and further investments. The best examples are several cabinet roulettes that peaked in December 2015 and in March 2017. In 2015 President Zuma replaced finance minister Nhlanhla Nene with the unknown David Des van Rooyen only to appoint Parvin Gordhan, the finance minister from 2009 to 2014, after four days. It has been discussed that Nene was fired because he did not support Zuma's nuclear plans, grant a private jet for Zuma and denied South African Airways (SAA) bailouts and guarantees. It has also been said that Dudu Myeni, the chairperson of the SAA board, is very close to President Zuma (Areff 2015). Up to this point, the treasury was kept out of political disputes, but Zuma does not shy away from following his own interests. This action resulted in a turbulent market, depreciation of the rand, increasing costs in the bond markets and declining investments (Donnelly 2015; Donnelly and Stern 2015; England 2015). In the end of March 2017, Zuma reshuffled his cabinet again and Malusi Gigaba, a Zuma loyalist, became the new finance minister (Pather 2017). These developments represent the peak of political interference and show the symptoms of cronyism and corruption within the South African state. Personal ties between the party, state and business along with factionalism and infighting are the current characteristics of the functioning of the state. This is weakening the state institutions, and reshuffling the finance minister is also weakening the strong treasury. Till the end of 2015, this was the seventh reshuffle of the cabinet since Zuma's presidency, and in March 2017 Zuma replaced several ministers and deputy ministers again, including the finance minister (Pather 2017; Cilliers and Aucoin 2016: 5–6; England 2015; Southall 2015a: 145), and the corruption and patronage are deeply inscribed. Leaders are chosen from the close cadre, not based on qualifications, and scandals over state expenditure on Zuma's Nklanda home show this development (Cilliers and Aucoin 2016: 6; Southall 2015a: 144). Over the years, Zuma and other ANC functionaries built close ties with the Indian Gupta family, who own several companies in various fields like mining, IT and media. They receive political support, and they make sure to receive favours like police escorts and inviting ANC officials to weddings of Gupta family members. Moreover, there are individual and company links to several state companies like weapons manufacturers, electricity and transportation. Before the announcement in August 2016 to sell all shares in South African companies, the Guptas stepped down from all (non)executive positions after political debates with continuing accusations that they used their personal ties to President Zuma to profit from state contracts (BBC 2016; Cotterill 2016; Shezi 2016; York 2016; M&G Staff Reporter 2013). The Zuma–Gupta relationship is just one example of the interrelation between business and the private sphere, but it is paradigmatic for corruption and cronyism in the current political environment.

Social tensions are created not only through the high rates of unemployment and inequality but also through poor state services and general dissatisfaction that democracy has not brought a better life for all. Social responses to the crises are manifold and range from forming new parties to labour strikes and service delivery protests to student protests and anti-Zuma protests to xenophobic attacks. Emerging new parties like Congress of the People (COPE) and Economic Freedom Fighters (EFF) challenge the ruling ANC. COPE was a right-wing split from the ANC and included "political personalities who played key roles in the Mbeki administration's pursuit of the 1996 class project" (Maserumule 2010: 21). The EFF is a left-wing split from the ANC that follows an anti-capitalist programme and is seen as a populist formation (Nieftagodien 2015: 25). Both have been alternatives for ANC voters. COPE received 1.3 million votes in 2009 but dropped in 2014 to 100,000, and the EFF received 1.2 million votes in 2013 (Seekings and Nattrass 2015: 203, 206).

Regarding the different forms of strikes and protests, the most recent student movement, #feesmustfall, is exemplary of the impact the movement can have on political action. In 2015, students protested against tuition fee increases of up to 11.5% for the academic year 2016. This included a nationwide protest that shut down universities. In the end, it resulted in withdrawal of the increased fees, but demands for decolonisation of campuses and curricula had already occurred at the University of the Witwatersrand and the University of Cape Town. University of Cape Town students protested successfully to remove the Rhodes statue from the campus. Criticisms were raised before, mainly at black universities, but they did not receive the same media coverage as the formerly white institutions (Davids and Waghig 2016; Naicker 2016: 53–55, Allison 2015). Generally, attending university costs tuition fees, and the amount depends on the field of study and the university. As South Africa has high unemployment and poverty, most prospective students from poor and sometimes middle-class families cannot afford to pay these fees. They are therefore dependent on bank loans or bursaries. Receiving loans or bursaries is not easy, even among the top students. In some cases, students have to re-register when they do not pay their fees. Other financial needs, like accommodation and food, also have to be covered (Makhanya 2016; Mabizela 2015; Machika and Johnson 2014). The educational curriculum has been criticised as too Eurocentric; it should address African circumstances more. Black intellectual thought also remains outside the South African curriculum (Snodgrass 2015; Mkhize et al. 2015). This is unfinished business, and the protests continued in 2016. At the same time, the #ZumaMustFall movement and anti-Zuma protests emerged. Central were calls for Zuma to step down because of all the corruption and legal charges against him, as well as his authoritarian style of politics. In addition to the critiques of Zuma's government style, economic circumstances are under scrutiny as the middle class and workers do not see any economic security (Cilliers and Aucoin 2016: 6; Satgar 2016). Satgar summarises the #ZumaMustFall campaign as follows: "It is about a courageous attempt to find a non-racial solidarity again, to reaffirm a common vision and journey towards a secure future" (Satgar 2016). The student movement and the anti-Zuma protests have the potential to achieve changes in the political environment. However, this potential can be fully developed only if the protests are non-violent. Not only the student and anti-Zuma protests but also the service delivery and labour protests turned violent and the police had to intervene (Cilliers and Aucoin 2016: 11–18). At several times, for example during the student movement, Duncan claims that "the police and private security guards are too quick to use violence [...] these interactions socialise the protesters into violence" (Duncan 2016). Despite the conflict between protestors and the state, South African society has also experienced xenophobic attacks against African foreigners that are highly violent. In the 2008 attacks, a mob burned shops with people inside and caused major damage. These attacks and protests resulted from a belief that foreigners steal jobs and business. The attacks peaked in 2008, decreased and increased again since 2015. In the meantime attacks continued, but are more isolated and singular events, as the data show (Cilliers and Aucoin 2016: 10; Solomon and Kosaka 2013: 20–21).

Overall, socio-economic challenges remain central for South African democracy and capitalism. It seems that a mixture of wrong policy decisions and reactions to the market have created more social instability and left the majority of South Africans behind. Considering this, the need for change in one direction or another is clear in order to rebuild trust in democracy and the economy.

Notes

1. Public procurement is one deep integration issue and part of trade agreements.
2. Southall (2016) provides an analysis of the South African black middle class and also discusses conceptional problems in regard to the term black middle class.
3. The next two paragraphs on TPSF and the New Growth Path are based on an unpublished conference paper (Claar 2012a, b).

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CHAPTER 3

Transnational Context: International Trade Relations

South Africa and the WTO

South Africa was a founding member of the General Agreement on Tariffs and Trade (GATT) in 1947, and with this agreement it is regarded as a developed country. Importantly, this status continued in the World Trade Organization (WTO), which South Africa joined in 1995. In reality, the South African government tried to reshape its position in favour of emerging markets and developing countries in the WTO (Schlemmer 2004: 132). Officially, no change of classification has taken place, but South Africa's engagement has changed in terms of supporting the agenda of the developing countries (Schlemmer 2004: 133). Nevertheless, it was called into question whether South Africa really could claim to be the African voice in the WTO. In 1999 in Seattle, South African negotiators joined the exclusive meeting in the green room with the developed countries, while other African delegation teams were taking part in workshops. As a consequence of exclusion and lack of transparency, the African states declared that they would not agree to the consensus (Keet 2010: 8–10). In the WTO rounds, the divergence between South Africa and other African state interests became apparent. While most African states rejected new negotiations, South Africa pushed for further rounds of WTO negotiations (Keet 2010: 23). In South Africa's first years in the WTO, it supported EU and US strategies and tried to convince regional partners in the SADC for a new round of trade talks in the WTO (Wellmer 2007: 233).

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Because of this, the South African government thus expected more favourable treatment for their bilateral trade talks with the EU and Western support for their development agenda, for instance, for the New Economic Partnership for Africa's Development. This also mirrors South Africa's national neoliberal economic and trade policy path, because they pressed for further WTO talks that would increase trade liberalisation. In 2003, South Africa shifted its position in the WTO meeting in Cancún. South African negotiators supported the developing countries, and all together they blocked the WTO negotiations (Becker and Blaas 2007: 277; Wellmer 2007: 233). The ongoing Doha round has different trade aspects on the negotiation table like agriculture, trade in services and liberalisation of non-agricultural market access. The South African government wants to achieve the abolishment of agricultural subsidies in developed countries as well as fairer trade and development. To do so, South Africa uses coalition-building with countries like Brazil and India that are also its partners in informal groupings like the G20, IBSA (India, Brazil and South Africa) Dialogue Forum and BRICS (Brazil, Russia, India, China and South Africa). In addition to these informal groupings, South Africa promotes rules-based multilateralism with the WTO. Within the WTO, South Africa tried to build coalitions with countries like Brazil and India in order to achieve fairer trade (le Pere 2015: 258; Sidiropoulos 2014: 433; Draper and Dube 2011: 14). South Africa's shift in the WTO from support of the USA and EU to a fairer trade policy for emerging and developing countries is linked to the shift in national economic policy in the form of balancing liberalism and protectionism in their trade strategy.

South Africa and BRICS

In 2001, the term BRIC (Brazil, Russia, India and China) was used to describe emerging market potential in a Goldman Sachs report. In late 2010, South Africa joined BRIC, which is an informal group of Brazil, Russia, India and China that had its first summit in 2009. The governments used it as a moment to establish a common platform to reform global financial institutions and the United Nations Security Council, for example, thereby challenging the USA and promoting the interests of the global South. BRICS (Brazil, Russia, India, China and South Africa) has the potential to create a new world order, but it remains unclear whether they really want to create an alternative global financial model. Instead of supporting existing alternative models, they created their own BRICS development bank, the New Development Bank, in 2014 (Uzodike 2016: 440; Smith 2015: 269; Bond 2014: 444–445; Sidiropoulos 2014: 437).

South Africa's inclusion in BRICS was controversially discussed, as South Africa's economy and population is much smaller than the other countries. It seems like a political and strategic decision as a result of the diplomatic efforts of the Mbeki administration to be part of BRIC that Zuma administration could celebrate (Smith 2015: 269; Stuenkel 2015: 41–47). In addition, South Africa seemed to be the African powerhouse; it was described as the largest economy on the continent, but Nigeria was already growing fast. In 2014, it was confirmed that Nigeria was growing much faster than South Africa. Even South Africa was back to number one in terms of GDP in 2016 (Roussow 2016), the question remains open whether the rise of other African economies has an impact on South Africa's position within BRICS. However, South Africa could build trust in existing South-South cooperations, like IBSA, to promote international cooperation and BASIC (Brazil, South Africa, India and China), to act together on climate questions as well as in the WTO (Uzodike 2016: 446; Stuenkel 2015: 46–47). With South Africa on board, BRICS represents all developing continents and has South Africa as an entry point for investments, economic opportunities and a peacekeeper on the African continent. China, India and Brazil are already present and investing in African states. The interest in the continent is highly criticised, and South Africa is just the gateway for the BRIC countries in terms of their own economic development (Uzodike 2016: 437, 442; Bond 2014). Alongside the gain for BRIC, South Africa also has the chance to benefit politically and economically from its membership. This includes not only trade and investment possibilities, more exports and trade within BRICS and beyond, but also learning from counterparts to address challenges like unemployment, poverty and inequality. South Africa can also benefit from membership in terms of recognition, more bilateral trade and as a driving force in the region (Uzodike 2016: 444–445; Smith 2015: 269). The counter-hegemonic movement in the BRICS from below provides a different view of the BRICS in general and the role of South Africa within BRICS. Generally, the question is whether BRICS represents an alternative to the global order and if South Africa is just the gateway to Africa (Claar and Lejeune 2013). In addition, finding a common ground of social movements, communities and grassroots in all five countries is difficult. While different languages is one obstacle, different perspectives on the role and possibilities of BRICS for the ordinary people also creates problems (Garcia 2015: 281–282).

After a decade of economic success, the BRICS countries are experiencing political and economic crises like recession, declining economic activity and political scandals. Only India seems to be making progress, as it is not so vulnerable to global markets and commodity prices than its four counterparts. Nevertheless, projects to reform global institutions continue (Tisdall 2016). The fact remains that joining BRICS intensifies the South-South cooperation of South Africa and is a real alternative option to the traditional partners of the EU and USA. It provides more flexibility and policy space for the South African government.

South Africa in Africa and the Region

South Africa has state and non-state foreign policy (Shaw 2015: 256) that includes its actions and role on the continent and in the region. In 1996, Thabo Mbeki gave a speech on "The African Renaissance" that was a vision for the New Economic Partnership of African Development. Democracy and human rights were central as starting points for economic development and shaping the African identity (Uzodike 2016: 447; Alence 2015: 284). Central to South African foreign policy on the continent is also peacekeeping, post-conflict reconstruction, development assistance and trade and economic diplomacy (le Pere 2015: 257–261). Generally, South Africa promotes human rights, democracy and good governance in Africa, because if these are absent, there are not only negative consequences on political stability, but also on trade and the export market (Alence 2015: 294–295). South Africa mainly exports natural resources on the global market and imports manufactured goods and oil. On the continent, South Africa only imports oil and exports largely manufactured goods. Trade with close neighbours makes a major contribution and shows that intra-regional trade supports South Africa's balance of payments (Alence 2015: 287–289). Besides exporting manufactured goods, South African companies (non-state actors) are expanding into sectors like mining, financial services, telecommunication, retail, construction and tourism. In doing so, profit remains in the hands of South African companies and other African countries face direct competition (Alence 2015: 285; le Pere 2015: 258).

The strong economic interconnection with close neighbouring countries is established in political and economic relationships and can be traced back to neighbouring countries in the Southern African Development Community (SADC) and the Southern African Custom Union (SACU).

The origin of SADC is the coalition of the frontline states against the apartheid regime and it was previously named the Southern African Development Cooperation Conference (SADCC). Its focus was mainly on political integration, but this changed with the fall of the South African apartheid regime. In 1992, SADCC became SADC and South Africa joined in 1994 (Schillinger 2008: 13). Economic integration became a further important pillar for SADC and was manifested in the 1996 SADC trade protocol that was completed in 2000. It included prospects for a free trade area for southern Africa. The focus on market integration was a shift from its previous and mainly political focus (Evans 2000: 293–294; Schillinger 2008: 13). Nevertheless, the member states[1] are heterogenic in their economies and status of political and economic development. SADC is trying to balance "developmental regionalism of regional co-operation, and the open regionalism of greater integration with the world economy" (Schillinger 2008: 14). This also reflects South Africa's own contradictory orientation between liberalism and protectionism. In the SADC constellation, the South African economy is the powerhouse with strong political and economic interests in the success of SADC and an average of 63.4% of the SADC GDP from 2003 to 2011 (ReSAKSS 2013). South Africa supports greater trade with SADC; however, it appears that the amount of trade is not reciprocal. South Africa mainly exports services and manufactured products to the other member states. Within SADC, the services sector dominates the economy and is also the largest employer (Ajulu 2008: 31; le Pere and Tønnjeland 2008: 105; Turok 2008: 20). As a regional integration project, SADC also negotiates trade agreements with various partners and has a close relationship to the EU. The EU also welcomed the new focus on economic and trade issues and institutionalised a EU–SADC dialogue. Nevertheless, the relationship is shaped by power asymmetry because of the dependencies on the EU as a donor as well as a main trading partner (Brocza and Brocza 2012: 147, 150). This is an unequal relationship that permeates the capital and political elites in those countries and only leaves them limited space for their own decisions without any dependence.

Long before SADC, Botswana, Lesotho, Namibia, South Africa and Swaziland established the South African Customs Union (SACU) in 1910. The 2002 SACU agreement is the most recent and replaced the 1969 agreement. Central to all these agreements is a common external tariff and revenue sharing among the members (Prys 2012: 93). In the 2002 agreement, the distribution formula was changed and based on the following components: intra-SACU trade and excise revenue based on 85% of member GDP and a 15% development component. In particular the financial distribution system supports the weaker economies like Swaziland and Lesotho. For instance, in 2006 those revenues constituted 24.1% and 28.2% of the GDP of Swaziland and Lesotho, respectively. In contrast, the South African GDP consisted of only 1% from the SACU revenues (Flatters and Stern 2007: 2). The 2002 SACU agreement also aimed at common policies and strategies, for instance, in industrial and competition policies. SACU also aimed at promoting democratic institutions and a development agenda (Draper et al. 2007: 16–17).

Again, South Africa is the dominant player. Its counterparts in SACU are highly dependent on the revenue distribution, for instance, 24.1% and 28.2% of the GDP of Swaziland and Lesotho, respectively, are from the revenues (Flatters and Stern 2007: 2). Le Pere and Tønnjeland (2008: 105) point out that while trade in SACU is liberalised, the border is highly protected and negotiating trade agreements is a step towards more liberalisation. SACU negotiates on free and preferential trade agreements with India, USA, Mercosur (Mercado Común del Sur) and the EU (Turok 2008: 19; SACU n.d.). In addition to the common negotiations, each state also negotiates its own free trade agreements, which also causes problems. A common external trade policy would be an advantage for all SACU members.

However, with the rise of BRICS, South Africa has to compete for the regional and African market and BRICS partner companies are already challenging South African companies (Uzodike 2016: 448).

South Africa's Trade Relations with the European Union[2]

South Africa and the European Community have a long economic and political relationship, mainly based on member states the UK and Germany. The European Community's interests were more in Francophone Africa, and this only changed with UK's entry into the European Community as well as with rising anti-apartheid sentiment (Holland 1987: 298). One major incident was the Soweto uprising in June 1976. Students demonstrated against Afrikaans as a school language, and during this protest the police killed several students (Sparks 1990: 223–235). As a consequence, the European Community established a (non-obligatory) code of conduct for European firms with the goal of undermining apartheid laws by demanding equal pay for black and white workers (Venter and Neuland 2004: 43; Perry 2000: 2; Holland 1987: 298). Collective action by the European Community remained limited as individual member states decided on sanctions. Although trade relationships were formally interrupted, trade never stopped. The embargo only affected 5% of all imports (Perry 2000: 3).

After the end of apartheid, trade relations between South Africa and the European Union changed. In the transformation phase from 1990 to 1994, sanctions were abolished (Perry 2000: 4). At the same time, the European Union opened its market to South Africa's industrial products, with the exception of coal and steel, under the General System of Preferences (GSP) in September 1994. Trading under GSP was only a transitional option for South African products, so there was room for a trade agreement (Weusmann 2005: 74; Graumans 1997).

In the 1990s, South African and European negotiators developed the Trade, Development and Cooperation Agreement (TDCA) (see also Claar 2010). After years of controversial negotiations between South Africa and the EU, the TDCA came into force in January 2000.[3] South Africa insisted on developmental and cooperation elements within the agreement and not only a pure free trade zone. The TDCA complied with WTO, and the main goal was the liberalisation of markets in both trade and goods. This agreement regulated duty and tax-free exports in the industry and agricultural sectors. The deal was that the EU eliminates tariffs for 95% of current trade goods and South Africa 86% (Grant 2006: 3). While some were celebrating the first agreement that also included access to the agricultural market, others still recognised a huge imbalance in this openness. Alongside cooperation on trade in goods, South Africa also negotiated for developmental cooperation, including technical support for the implementation of the TDCA, access to cheap loans and the support of democratic structures (Meyn 2003: 9). According to Weusmann (2005: 94), the TDCA is an interim agreement for establishing a free trade zone in the future. The trading partners did not agree on the duration of the agreement, "but provision is made for its revision within five years of the date of its entry into force in order to consider possible amendments" (European Commission 2009). Room remained for re-negotiations every five years between the EU and South Africa (see also Claar 2010).

The relationship between the EU and South Africa changed in the environment of negotiating the Economic Partnership Agreement (EPA) with

SADC members. In 2007, South Africa took the chance to join the EU–SADC EPA negotiation group. This was seen as an opportunity to secure regional integration projects. Already in the 1990s, South Africa requested to be part of the Lomé agreement with the African, Caribbean and Pacific (ACP) states (Weusmann 2005: 85f; Keet 1996). The EU rejected this request, because they questioned whether South Africa could be defined as a developing state according to GATT Article XVIII (Hirsch A. 2005: 138; Weusmann 2005: 66–70, Graumans 1997). Being part of the EPA negotiation was seen a chance for South Africa. However, because the EU is one of the largest trading markets, it can still set the norms in global trade (Langan 2009; Orbie 2008); and with the EPA, they transfer (neo)liberal norms into the (South) African states (Claar and Nölke 2013). In general, the EU pushed for signing the EPA in all regions. However, African states hesitated to sign the agreement (Shaw 2015: 263). The rejection of an interim agreement therefore changed South African and EU relations and also made room for more South-South collaborations. In 2014, South Africa and the EU concluded an agreement and signed it in 2016 (for more on the specific developments, see Part III).

South African political economy is characterised as race-based capitalism, Colonialism of the Special Type and minerals-energy complex. Within this national context, several political and economic policies were not successful in addressing unemployment, inequality and poverty that are the result of long-term structural discrimination. The ANC government is rather looking to itself and trapped in patronages and corruption. The close interrelation between the ANC as a party in itself and as a ruling party representing certain interests in the government enhances its dominance. MEC also supports South Africa's volatility in global developments like capital fights, fewer investments, exchange rate fluctuation and changing commodity prices. At the same time, the ANC government is trying to deal with these threats to the economy by intensifying the role of the state, like a development state, and provide a vision for national development to address the socio-economic challenges of the country. South Africa is also a global player. While South Africa supported the EU and the USA in the WTO and was keen to have bilateral trade agreements, the South African government turned out to be the voice for the South, in particular for fellow African states. Joining BRICS supported this development and included South Africa in an elite club. Nevertheless, BRICS also challenges South African political and economic hegemony in Africa. These features of the South African political economy provide the context for the terrain of struggle of different actors, forces and fractions. This chapter suggests that South Africa's contradictory role in the national and transnational spheres results from the changing relationship of forces in national trade and economic policy.

Notes

1. SADC has 15 member states: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.
2. This section summarises and enlarges the German version of Claar (2010: 90–95) and paragraphs are taken from the unpublished conference papers of Claar (2012a, b).
3. In addition to the EU, South Africa also participates in the US African Growth and Opportunity Act.

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PART II

South Africa's Class Relations in Economic and Trade Policy

CHAPTER 4

South African Capitalist Classes: From Mining to Agriculture

The bourgeoisie subsumes the "alliance between several dominant fractions of the bourgeoisie" (Poulantzas 1973: 43–44), and one hegemonic class fraction has to ensure the functioning of this alliance. The capitalist classes are located and connected to different types of bourgeoisies that have different connections to national and foreign capital (Poulantzas 1975 [1973]: 70–73). Central capitalist class fractions in South Africa are mining, agriculture and manufacturing (Davies et al. 1976: 5–6) as well as finance and service capital that developed into important fractions due to changes in the global capitalist mode of production, increase in services and the development of financialisation. Despite internationalisation, social formations and classes still characterise the nation-state (Poulantzas 1975 [1973]: 80–82), but this development and the rise of networks beyond the nation-state make the identification of various capital interests more difficult (Clarke 1978: 43). This chapter will shed light on the dominant capitalist classes and their fractions as well as their varying positions on economic and trade policy.

Mining Capital as the Core of the South African Economy

The minerals-energy complex (MEC) as a system of accumulation has structured the South African economy for decades. Even today (McDonald 2011), sectors like services that are close to the MEC play an increasingly

S. Claar, *International Trade Policy and Class Dynamics in South Africa*, International Political Economy Series,
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important role. The MEC accumulation regime has created a high concentration of capital in those sectors, with a particular domestic focus on the economic sectors of gold, coal, diamonds and platinum mining. During racial capitalism (Bond 2004; Terreblanche 2002: 239), family-owned companies like the Anglo-American Corporation and De Beers (mining capital) had a huge influence on political decision-making and on the apartheid system. During apartheid, English mining capital reached a class compromise with large Afrikaner capital (e.g. Rembrandt and Rupert as the second richest South African family) and the state (Mohamed 2010: 44; Terreblanche 2012: 50–51). As a consequence, the economic focus was on "mining and minerals sectors, and the state and mining industry supported growth of manufacturing sectors with strong links to the MEC" (Mohamed 2010: 44); this connection remained after apartheid. In general, mining capital experienced ups and downs during apartheid and beyond due to changes in the global economy, like price setting and more accessible mining fields elsewhere, as well as continuous mineworker strikes over the last few years (e.g. Alexander 2013). Mining's relative share of South African GDP has declined over the last decades despite South Africa's great wealth of resources (Deloitte 2013: 5).

Mining companies used the political changes in the 1990s to restructure their businesses by changing shareholding and wages as well as by adapting international good practices and company names. This self-restructuring as global players also demanded shifts towards a more global market orientation. Approval to move South African mining companies like the Anglo-American Corporation and Billiton to the London Stock Exchange increased the amount of foreign capital in South African mining. They extracted their capital over centuries on South African soil, and it is therefore questionable if they are still South African companies, which have thus transformed themselves through a change in reliance on national to foreign capital (Nicol and Leger 2011: 177; Mohamed 2010: 46–47). The official purpose was to generate capital for investment, but in reality, capital was raised in foreign markets and never returned to mining (or to services and agriculture) in South Africa. Leaving the country created a new relationship between the state and the power bloc (Mohamed 2010: 46).

Today, mining capital class fractions are mainly visible between former South African top companies and foreign investors, such as the Anglo-American Corporation and De Beers, foreign capital from other countries and black ownership. The Black Economic Empowerment, in particular the BEE Mining Charter, forced mining companies to share ownership with new black South African entrepreneurs, but this did not change the structure of the mining capital that still remains mainly under white foreign ownership (for more on white foreign ownership, see Turok 2013).

Mining capital, in particular individual mining capitalists, continued to shape national policy not only through direct lobbying within the democratic decision-making process but also indirectly via foundations. For instance, in 1996, the South African Foundation, a think tank of the Oppenheimer dynasty, tried to influence the agenda and published the Growth for All paper, which focused on macroeconomic policy and was the background document for the GEAR policy of the ANC government (Terreblanche 2002: 113). In the case of the implementation of the BEE Mining Charter,[1] the Brenthurst Initiative[2] sought lower corporate taxes during the transformation phase (Chabane et al. 2006: 572). In order to secure the economic status of mining companies and sectors, the Chamber of Mines of South Africa (COMSA) brought various sources of mining capital ranging from small-scale to big players together in an employer association. It is important to note that COMSA covers companies not only from gold, platinum, coal and diamond mining but also financial and service companies with strong relations to resource mining (COMSA n.d.).

This emphasises the continuity of the connection between mining capital and mining-related services and manufacturing capital, which is always organised into employer associations. Nevertheless, a closer view of the association councils and the distribution of positions show that the big companies have a higher share of positions or are better represented in the thematic committees. Yet in general, the problem remains that junior and smaller South African companies are not members of the chamber, and hence their capital interests are not represented (Mitchell 2013: 40).

With their good government relations, the Chamber of Mines has intervened in policy discussions: “One of the main benefits of the Chamber is that when government formulates policy, the concerns of business are taken into account” (COMSA 2012: 23). The chamber describes itself as a warning system that is well connected with the umbrella employer association Business Unity of South Africa. It provides the opportunity to hold various mining capital interests together, even beyond white and black ownership. Even if it looks like a common capitalist class, the mining capital is divided into several class fractions along the lines of black and white ownership, but also along different resources like gold, platinum, diamonds and coal. Overall, they have in common a strong relation to foreign capital. For instance, the platinum companies, like Amplats, Impala and Lonmin, are all global monopolies listed in London with secured access through joint ventures with national black capital. The mining industry is connected to foreign companies and is mostly foreign-owned (Ashman 2015: 74–78; Malikane 2016: 169).

Mining capitalist fractions, as foreign capital, accumulate capital through exports, while trade liberalisation supports exports in the mining sector. Due to the high level of foreign capital involvement in South African mining, it is seen as part of the comprador bourgeoisie. This has led mining in general to support liberalisation, because it is a capital-intensive industry (Mabugu and Chitiga 2007: 16, 27). Moreover, a liberal trading system is favoured by foreign capital in order to generate investment opportunities and increase market access. Mining capital is rather silent in debates over trade policy, yet more involved in labour regulations and strikes. This results in phases of non-production, and thus turnover is lower.

Manufacturing Capital—Vocal and Organised?

In the South African economy, major parts of manufacturing capital are linked to mining capital through the MEC (Fine and Rustomjee 1996). Within manufacturing capital, there is a variety of capitalist fractions with different means of production as well as locations within the capitalist mode of production. Firstly, manufacturing capital can be differentiated into labour- and capital-intensive production. Capital-intensive production is based on financial investments in technology and infrastructure instead of the labour ratio (Scott and Marshall 2012: 59). In labour-intensive production, by contrast, a large number of flexible workers is more important than capital. Secondly, manufacturing capital can be differentiated according to its relation to the MEC. There are fractions in manufacturing that are MEC-related and non-MEC related. It is therefore likely that, in a manner similar to mining capital, MEC-related manufacturing is capital-intensive. Manufacturing capital has different perspectives on trade as well as relations to the working class, which is dependent on affiliation with manufacturing capital (Mohamed 2010: 49; McCarthy 2010: 115).

In the performance of various manufacturing sectors, the MEC shows its importance for the economy, because iron and steel production as well as chemicals improved and expanded (McCarthy 2010: 116–117; Verhoef 2010: 145–146). Mining and energy companies were also dependent on these products for successful development. The chemical industry responded positively to trade liberalisation and changed to export-oriented production (Verhoef 2010: 143). Alongside the strength of chemical capital with capital-intensive production and MEC relations, one crucial class fraction is a non-MEC industry, automobile capital, which has its own wide range of fractions. The sphere of the automobile industry is dominated by foreign capital; the means of production are fully foreign-owned (German based), while others with licence agreements are locally owned (branches of General Motors or Toyota) and therefore constitute national capital. Until the beginning of the 1990s, automobile production was inward-oriented, inefficient and dependent on imported technology (Black 2010: 128, 2011: 176). The strategy changed as the state supported the automobile capital with the Motor Industry Development Programme implemented in 1995 in order to achieve an import-export balance. It included tariff reductions and challenged the mostly locally owned component sector with imports. These locally owned sectors were hardly able to compete and were sold step by step to foreign capital, or local firms had to organise access to global networks to secure access to the market (Black 2011: 179). Regarding capitalist fractions in the automobile industry, foreign capital can be found particularly in the form of multinational companies, such as Volkswagen and Bayerische Motoren Werke, and in embeddedness in international networks. Thus, national capital exists in the form of the local component sector with relations to transnational class networks, but it is still based on the national level: transnational interior bourgeoisie. This means that one class fraction within the automobile capital has ties with national capital and is a labour-intensive industry. Another fraction within the automobile capital also has ties with foreign capital and is a capital-intensive industry. Similar distinctions are also possible within the local supplier sector.

Within the manufacturing capital, fractions take different perspectives on trade. A group of capitalists have adjusted to trade liberalisation (e.g. chemical) and capitalist fractions that are more sceptical of further trade liberalisation (e.g. food, textile and clothing). In addition, automobile capitalists are divided into a domestic and export-oriented fraction who have struggled or gained from the global markets. The export-oriented manufacturing capitalist fractions were in favour of liberalisation, while manufacturing capitalist fractions, which are labour-intensive, could not stand their ground in global competition (McCarthy 2010: 118).

In these areas, the capitalist class fraction and parts of the working class share similar perspectives:

> So in clothing and textiles, for example, the views of formal clothing manufacturers and the views of the labour unions would be the same on trade issues. So you have a stronger voice for protection and against liberalization from those sectors because of that. (Interview with a former business representative, Pretoria, 27.01.2011)

Manufacturing capital organises perspectives on trade policy and is highly engaged and active in debate in this policy field. Within manufacturing capital, not only clothing and textile but also steel and chemical capitalists have lobbyists and consult specialists on trade issues. Within the umbrella employer organisation Business Unity South Africa (BUSA), manufacturing capital is influential on trade issues as illustrated by the fact that eight out of twelve lobbyists—also members of the National Economic Development and Labour Council in the Trade, Development and Cooperation Agreement (TDCA) negotiations—were from the manufacturing side (interview with a former business representative, Pretoria, 27.01.2011).

As discussed, manufacturing fractions related to the MEC, foreign capital and capital-intensive capitalist classes are more likely to support liberalisation than non-MEC industries and labour-intensive fractions. The relationship between manufacturing capital and the working class joined the manufacturing class fractions in the area of protection in order to address joint interest in having less competition and securing jobs for South African workers.

Finance and Banking Capital

Service capital is organised into separate entities and has no umbrella organisation for all forms of service capital (interview with trade expert 1/2, Pretoria, 25.01.2011). However, in the case of trade and economic policy, the focus is more on finance and banking capital. Over the last few decades, finance capital has increased in relevance and had an impact not only on a global scale but also on the South African economy. Finance capital is more than just money capital. It also includes finance-related services (Overbeek 1980: 102) like insurance, which covers private and public entities and invests money in finance products for the purpose of capital accumulation. South African financial capital is highly dependent on capital flow and investment in the economy. Although the finance sector is stable, the debate about less investment highlights the structural problems of the whole economy. Even South African corporations speculate in financial markets instead of guaranteeing long-term investment, because turnover is higher through financial investments (Mohamed 2010: 43). A particular growth generator is uncontrolled short-term capital that creates liquidity for finance capital.

Finance capital is entangled with insurance and service capital and has a close connection to the MEC accumulation system, like most South African capitalist fractions. Similar to the mining industry, financial capital was also reorganised and family control was reduced through the mergers and acquisitions of big conglomerates (Mohamed 2010: 45–46). Companies such as the insurance and investment company Old Mutual and Liberty (financial) also took the opportunity to move their listings to the London Stock Exchange.

Close ties between mining and finance capital were established in the twentieth century because mining houses created their own finance divisions to attract foreign (English) capital. As a consequence, Afrikaner capital created its own insurance company, the South African National Life Assurance Company (Sanlam). Within Sanlam, an investment company was established, and the promotion of Afrikaner capital resulted in support of the National Party state with solid Afrikaner capital that could compete with English capital during apartheid (Ashman and Fine 2013: 158–160). At the beginning of the 1990s, Sanlam also started a project to enhance the participation of black entrepreneurs in the economy with a specific financial model to overcome the lack of capital contributed by blacks and strengthen links between black leaders in business. This financial model is still used by finance and insurance companies (Lindsay 2011: 240).

Growth and demand by low-income customers (Jones 2010: 219) caused some banks to collapse, resulting in four remaining big banks: ABSA, Standard Bank, First National Bank and the Nedbank Group. In 2011, 43% of the banking sector was owned by foreign capital and only 28% by national capital (The Banking Association South Africa n.d.), which is partly the result of banks like the Nedbank Group, a division of Old Mutual, shifting listings to London. First National Bank was established through the dissolution of a merger between Anglo-American and Rand Merchant Bank Holdings with FirstRand Limited (First National Bank n.d.). This again underlines the close ties between finance and mining capital. In contrast, ABSA is part of the Barclay Africa Group and merged Afrikaner banks and insurance companies. It had the second highest market share at 21.6% in 2010 (ABSA n.d.). Standard Bank held the highest market share with 25.5% in 2010, making it the biggest bank in Africa, while the Industrial and Commercial Bank of China owns around 20% (Ashman and Fine 2013: 164–166; WhoOwnsWhom 2013: 545).

Although British banks had long dominated South African banking capital, by 2000 British capital was no longer involved due to changes in ownership. Only ABSA remained as part of the Barclay Group. The 2008 financial crisis had a therefore limited impact on the South African economy due to national-orientated banking and finance capital (Claar and Müller 2010; Jones 2010: 210). All registered banks in South Africa are members of the Banking Association of South Africa (BASA), both national and international. The aforementioned big four banks are all members of the main board of the BASA, which played an important role in the transformation of the finance system and also supports the National Development Plan. In addition, they "assist in roles of the sector in issues of national interests" (Frontier Market Network 2013). The BASA also has strong ties to other stakeholders like the National Treasury, DTI, Johannesburg Stock Exchange and trade associations. As a member of BUSA, BASA is connected to other business representatives and involved in agenda setting, either with its own statements or through BUSA (Frontier Market Network 2013; BUSA n.d.), which leads to the conclusion that banking capital has the means to articulate its interests.

In terms of economic and trade policy, financial and banking capital have benefited from the open macroeconomic policy of the ANC government. The overlap with other corporate sectors has resulted in support for or resistance to relevant policies even beyond finance. In general, "finance tends to oppose interventionist industrial policy because it may be threatened by the way that finance is to be raised and deployed by such a policy" (Ashman and Fine 2013: 171). Sanlam criticised the DTI Industrial Policy Action Plan (IPAP) for the fact that the financial sector is already globally competitive, and the plan reflects a negative attitude towards finance (Laubscher 2010). In contrast to previous policy programmes, the IPAP supports industrialisation for job creation and protectionist measures instead of focusing on the finance sector. Finance capital seems to be unsatisfied with this policy focus on manufacturing as well as the reluctance to create a non-open market atmosphere. Ownership changes in banking capital have created a new relationship of forces among the capitalist fractions in banking and finance. However, the connection to mining capital supports the argument for a financialised MEC (Ashman and Fine 2013) and perpetuates the accumulation system.

Agricultural Capital

In South Africa's history, agriculture and land distribution played a crucial role. White commercial farmers secured the best access to land through the Land Act in 1913, which excluded Black South Africans from certain areas. The agricultural sector was therefore mainly characterised by white Afrikaans (commercial) farmers. Black farmers were strongly restricted in their activities due to apartheid regulations and had less access to finance for their businesses (Vink and Schirmer 2002: 58–59, 63). During apartheid, agricultural capital had strong ties to the National Party (NP) government, and the state supported the sector with subsidies, although these declined steadily in the 1980s due to liberalisation. In a similar manner to other sectors, commercial farming was in the hands of white landlords with black workers.

This historical heritage still influences contemporary farming and the agro-food business. Although some black farmers gained from land reform, the South African agriculture sector is still dominated by large-scale capital-intensive white commercial farming. Commercial farming with relations to the capital market and an export strategy has a turnover of around 2 million Rand (Vink and van Rooyen 2009: 35). Agricultural capital is strongly connected to national capital because of a historically strong relationship with the state and state subsidies that protect white commercial farmers, so agricultural capital only consists of a limited number of companies.

Agriculture contributes around 2.5% of GDP. The sector has more potential, but the drought in the end of 2015 had a large impact on the agricultural sector. Moreover, the sector focuses not only on primary goods but also on expanded to value-added manufacturing and processing that contributes 12% to the GDP (GCIS 2016: 35, 47). Trade agreements and trade policy hence play a crucial role for agricultural capital, particularly after the reduction of tariffs and the abolition of import protection. This liberalisation continued with ANC's market-centred approach, as well as the liberalisation and competitiveness approach of the agro-food complex, which was controlled by white commercial farming (Satgar 2011: 4). In line with the liberal shift, former state subsidies declined immediately.

According to calculations by Vink and van Rooyen (2009: 6–9), agricultural exports remained between 8 and 10% of total exports, and the sector experienced trade liberalisation. Agricultural capital is therefore affected by trade liberalisation and has a strong interest in trade policy. Agri SA, also a member of BUSA, was founded in 1904 as the South African Agricultural Union. It was renamed and restructured in 1999 to Agri South Africa (Agri SA n.d.-a) and represents commercial farmers and their cooperatives "of all races." Agri SA is strongly involved with various government and business entities in order to represent the interests of agricultural capital in trade in goods. Agri SA is an important actor in trade policy that is active in trade negotiations, especially as agricultural issues are highly relevant for treaties (Draper et al. 2010: 268). Within the debate on trade agreements, they argue that the agricultural market is too liberalised and call for more financial governmental support. In particular, they point to the fact that more agricultural products are imported than exported (Agri SA 2013). Large-scale businesses are in a position to articulate their interests regarding such issues, and according to one civil servant, agricultural capital is "most reluctant to give more access to the European Union" (interview with a legal trade expert, Pretoria, 26.01.2011).

However, although Agri SA claims to represent all races, the National African Farmers Union was formed as a counterpart seeking to specifically represent black commercial farmers. Similarly to Agri SA, this body engages in lobbying and advocacy, mainly in the areas of land reform and finance. Although Agri SA does not formally present itself as such, it still represents mainly white entrepreneurs, which is also visible in its organisational structure and management personnel (Agri SA n.d.-b; Macaskill 2011: 331–357). However, more recently Agri SA has built a working relationship with the Black Business Council in the form of collaborative workshops (Agri SA 2016). The clear point is that in order to achieve large-scale commercial farming, it is not only class but also race that matters. Black farm workers need to be more included in the land ownership structure.

South African agricultural capital class fractions were important alliance partners of the state and the bourgeoisie during apartheid. Agricultural capital remains important, but has been struggling to cope with liberalisation. It still has limited ties to transnational counterparts, although they are highly involved in bilateral and multilateral trade negotiations in which they fight for more protection of their businesses and less liberalisation in contrast to other capitalist fractions.

Business Representation: Clash of Capital Interests?

It has already been noted that dominant capitalist fractions are represented by sector-based business associations as well as by umbrella business organisations: Business Unity South Africa (BUSA) and more recently the Black Business Council (BBC). BUSA was founded in 2003 as a merger between Business South Africa and the Black Business Council, which brought all business interests together with around 50 member associations (currently BUSA has 36 members, BUSA n.d.). The main goal of the merger was to unite white and black businesses in South Africa (Nattrass and Seekings 2010: 41) and to represent business in public, within institutions and behind closed doors. BUSA also serves as a consultant in relevant policy fields and represents, due to its membership, big business interests rather than small business interests (Nattrass and Seekings 2010: 7, 36). Some capitalist fractions are members of different associations. For instance, AngloGold Ashanti Limited and Kumba Iron Ore Limited are members of Business Leadership and the Chamber of Mines. Business Leadership is the umbrella association for the biggest national and multinational corporations, including state-owned companies.

BUSA, in particular, is also actively involved in trade policy, for example, in the consulting phase of the Trade Policy Strategy Framework from 2008 to 2009 (DTI 2010: viii). Since 2010, BUSA has also supported the implementation of the Trade Policy Strategic Framework and has highlighted that more trade issues beyond tariffs should be addressed, such as services, investment and competition policy (Majokweni 2013). BUSA's trade committee has a sector-based perspective on trade, and in trade negotiations BUSA gives its members the opportunity to participate (Draper et al. 2010: 268, 273). In this way, BUSA engages within the New Economic Development and Labour Council (NEDLAC) and also with the SADC Employer Group on matters related to the Economic Partnership Agreement (BUSA 2009: 12). BUSA has also given its views to the portfolio committee for trade and industry in parliament, which are generally focused on liberalisation. They highlighted that they do not want to secure sensitive sectors. In this debate, free trade agreements are preferred, although the impact of trade agreements and policy is hardly known, but South African large business would like to be part of the club (Grant 2009).

In the 1990s and 2000s, the main goal of the businesses was to have a good collaboration between black- and white-owned businesses in one umbrella organisation, BUSA. However, the overall merger collapsed. At the Black Business Summit in 2011, a major discussion revolved around the sentiment of black businesses that their interests were not represented by BUSA. Subsequently, a group called Black Business led by Patrick Motsepe[3] split off to join the Black Business Council (BBC) in September 2011. Fourteen associations left BUSA and joined the BBC (Mail and Guardian 2011). Nevertheless, not all black-owned businesses left BUSA. The Black Information Technology Forum, for instance, stayed in BUSA and even provided one of its vice chairs, Motse Mfuleni, in 2012 (Business Report 2012). Those who left saw institutional problems within BUSA. In addition, they experienced the structural rejection of black business interests and felt that their voices were not heard in the NEDLAC committees. In their view, BUSA does not support black business in addressing lack of capacity, which thus hinders institutional and economic transformation (Black Management Forum 2011). In this conflict, blackness and whiteness are used to position capital interests at different levels, and some black capitalists thereby use blackness as a hegemonic strategy to extend political influence. With this discursive strategy, the BBC secured strong political support from President Jacob Zuma during the Black Business Summit of 2011. In his speech, Zuma called for unity among businesses in order to create a good economic environment, but ended his speech by stating: "It [the break-up] indicates the need for regular interaction between black business and government, so that we understand each other's concerns and priorities better and work together for the common good of the country" (Zuma 2011). This support has roots in the need for the ANC to keep a close relationship with business-owning black capitalists, but it also works the other way around: black business was politically well connected to ANC leaders and families (Seekings and Nattras 2015: 220). Already in 2006, ANC treasurer Mendi Msimang[4] launched the ANC Progressive Business Forum (PBF) as a dialogue between the ANC and the business community (Gumede 2007: 165). The main benefits of this initiative included interaction with ANC policy makers, networking events and the opportunity to participate in international trade missions (Progressive Business Forum 2010). Business thus gained access to senior ANC members, most of whom also held an official government position (Holden 2012: 209). For special occasions like the ANC National Conference, businesses would pay extra fees for special access. For instance in 2012, a seat at the main banquet table with Jacob Zuma at the ANC conference in Mangaung cost 500,000 Rand. The richest black businessman, Patrick

Motsepe, paid for this opportunity. Interestingly, financial sector firms like ABSA, Standard Bank, First National Bank and Nedbank also paid to attend the event (Fin24 2012; Kigoda Consulting 2012; Times Live 2012; Phosa 2011; Butler 2009: 74). The ANC PBF is a forum that brings capital close to the government and the government close to capital. Thereby, both intensify their relationship and gain in the long term. Capital has access to influence ANC policy makers on an informal level, and the ANC can regulate access to their leadership. This method is a form of institutionalising the relationship between government and business, and the party benefits from this situation. It is crucial to point out that not only black capitalists use this mechanism, but also foreign and white capitalists are willing to pay for access to the ANC.

Thus, it appears that the ruling political class sympathises with the move by black business due to the general policy strategy of supporting businesses owned by black capitalists, as well as because of personal relationships. The launch of the Black Business Council provides even more possibilities for engagement between the state and business beyond the party structures. Jacob Zuma framed the business and party/state relationship as follows:

> Now, once business gets closer to a political party, you must know that things are going very well in the country. It means in South Africa, things are going very well. Business, the ruling party don't have a problem. They are together. Wonderful. The country will move forwards. (Jacob Zuma cited in Boyle 2010)

This shows that the conflicts between BUSA and black-owned businesses have structural sources related to the position of black capitalists in the South African economy at large and its relation to the political elite. The division of the capitalist fractions is related to the fact that at the end of apartheid, no economic redistribution took place, and white capitalists still own the companies driving the economy. The conflicts between black and white in BUSA are beyond symbolic in the sense that the BBC struggle for more recognition and market share. Although some big white businesses sold parts of their companies to blacks, the majority of the successful sectors remain in white hands. The race issue aside, it should also be considered that black business is located in small- and medium-sized enterprises, because access to creating an own company or buying shares was much easier than in big conglomerates. The participants in the Black

Business Summit were largely from the service sector (finance, legal), and it is obvious that the conflict within BUSA and the break-up revealed the different capital interests of small-medium businesses versus large business. However, racial affiliation is used as a category for the separation of businesses, although the problems between these businesses stem from their different class positions and status as fractions in the overall capitalist structure. In the South African context, the differentiation between black and white ownership as a vertical category through capitalist fractions shows that the origin of capital still matters.

As Table 4.1 shows, South Africa's capitalist class consists of fractions with various relations to each other. Firstly, mining capital remains foreign capital, mainly British/English, and also has a strong relationship with MEC-related manufacturing capitalist fractions. Manufacturing class fractions, like automobile capitalists, also have connections to foreign capital

Table 4.1 South African capitalist class fractions

Capitalist classes	*Fraction*	*Collaboration*	*Trade interests*
Mining capital	Foreign/English capital Mainly white ownership, but BEE black capital	MEC-related manufacturing, finance and service, the state	Liberalisation
Manufacturing capital	MEC-related/capital-intensive/foreign capital, e.g. chemical capital		
	Non-MEC related/labour-intensive, national capital, e.g. textile capital	MEC-related: mining capital	MEC-related and automobile: liberalisation
	Automobile capital/foreign capital (MNCs)/capital-intensive and national capital (local component class)/labour-intensive	Non-MEC related with trade unions	Non-MEC related: protectionism
Finance and banking capital	Finance capital: Afrikaner finance capital, foreign capital Banking capital: national and less foreign capital	Finance/banking with mining capital	Liberalisation
Agricultural capital	White commercial farmers, agro-food processing fraction, Afrikaner capital Black small-scale farmers	The state	More protection and less liberalisation

due to foreign ownership structures. However, all of those fractions belong to monopoly capital and are formed into big conglomerates. White capitalists own most of these companies, and only through the BEE are black capitalists the owners of some divisions in the mining sector. The clothing and textile manufacturing capitalist fractions focus on protectionism and collaborate with the working class, as this sector is labour-intensive. Fractions of finance and banking capital also have strong links to the MEC accumulation system. Therefore, these are fractions that support the mining capital class fractions. Nevertheless, within banking capital, a more protectionist fraction also exists that became particularly visible after the financial crisis in 2008. Somewhat separate from the previous capitalist fractions is agricultural capital, which is divided into large-scale commercial farming and small (mainly black) farmers. White commercial farming thus belongs to the category of national capital that is highly interrelated with Afrikaner capital. Therefore, mining and agricultural capital are also different fractions regarding British and Afrikaner capital. Currently, foreign capital in the form of the comprador bourgeoisie has a strong influence, while the manufacturing and agricultural fractions are under the umbrella of national and internal bourgeoisie.

Notes

1. In addition to the general BEE policy, the government started to implement industrial BEE charters, and mining was among them.
2. In 2003, the Brenthurst Initiative led by the Oppenheimer family published a policy paper on Black Economic Empowerment. In 2004, this Initiative merged into the Brenthurst Foundation; see more at http://www.thebrenthurstfoundation.org.
3. Patrick Motsepe was the richest black man in South Africa in 2012 and founded African Rainbow Minerals and Future Mining (Khuzwayo 2013).
4. He is the husband of the former Minister of Health, Mato Tshabalala-Msimang, under the Mbeki government from 1999 to 2008. She followed a national and global controversial policy on HIV/AIDS and its treatment, but Mbeki did not dismiss her. She left the office under interim President Kgalema Motlanthe.

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Trade expert 1 and 2, Pretoria, 25.01.2011 (recorded)

CHAPTER 5

South Africa's Political Elite and Its Political Objectors

Within the power bloc, not only capitalist classes and fractions are central actors, but the political elite is also part of the bourgeoisie. In South Africa, the political sphere consists of the leaders of the ruling party in the African National Congress (ANC) as well as their position in the government. Since democracy the ANC formed an alliance with the South African Communist Party (SACP) and Congress of South African Trade Unions (COSATU). In addition, opposition parties, particularly the Democratic Alliance (DA), are increasingly challenging the ruling party. All fractions are analysed according to the internal composition of these political actors and their relation to capital classes and fractions as well as to each other.

The ANC as the Political Elite and Its Relation to Workers and Capitalists

The African National Congress has been in government since the first democratic elections in 1994. Already during the apartheid struggle, the ANC consisted of different fractions related to their positions in the national liberalisation struggle, in regional or global exile combined with

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diverse ideological ideas (Butler 2004: 109). The political strategies of these fractions differed, for instance, in terms of (non)violence, but the common goal was to achieve a free democratic South Africa. The ANC as a liberation movement could only establish limited formal structures because of its ban since 1960. As a result, the top leadership of the ANC were mostly living abroad during apartheid, in contrast to the masses involved in ANC structures. ANC supporters belonged to the popular class fraction during apartheid. However, in practice, these historical roots were also transformed along with the transformation of the political system. The ANC as a popular class fraction questions the power relations and experienced a shift in its class position. The ANC cadre now belongs to the political elite and bourgeoisie in the form of a political party and government that covers various class forces and interests (Buhlungu 2002: 181). Therefore, the ANC has transformed from a popular class to a fraction in the dominant class in contemporary South African capitalist relations (Poulantzas [1978] 2000: 142).

During the negotiation process in the late 1980s and early 1990s, diverse ideologies within the ANC led to internal discussions about South Africa's future. While interests in the political sphere would have been much easier to bring together from today's perspective, the economic sphere was highly controversial and more externally influenced. Global economic institutions like the International Monetary Fund and the World Bank increased pressure on the ANC elite to commit to the existing global economic structure (Peet 2002: 71–72). The ANC, as Calland (2013) has noted, is currently distinguished by two major fractions: the contemporary ANC is divided into a class-based Marxist/democratic socialist fraction and a race-oriented African nationalist fraction (Calland 2013: 162–164). These two traditions have remained important and still symbolise different pathways within the ANC. In addition, fractionalism takes place between ANC ultra-critics, moderates and liberal sceptics (Butler 2004: 55–56) that are also related to the broader fractions of African nationalists and democratic socialists. While the liberal sceptics are only a minority within the ANC, they represent the orthodox business fractions that declare South Africa as a middle-income country fortunate to receive any investment at all (Butler 2004: 55–56). Accordingly, they advocate for the government to provide a good business environment. The liberal sceptics are similar to the Afrikaner capitalist class fraction during apartheid in the sense that they have limited political power and belong to the internal bourgeoisie. Another fraction follows the idea of an African Renaissance and works with African partners to overcome negative perceptions of Africa. This fraction can therefore be linked to the comprador bourgeoisie because it has regional/transnational ties, but with a national perspective. It also relates back to the African nationalist ANC fraction with the main goal of creating a business-friendly environment; in this regard, it has links to the liberal sceptics. The ANC ultra-critics have a national perspective on economic development and support protectionism and non-cooperation with global institutions. They prefer partners in the global South with similar economic perspectives (Butler 2004: 55–56) and can therefore be clustered as a second fraction of the national bourgeoisie with transnational linkages other than the moderate fraction. In addition, the majority of the working class representatives COSATU and the SACP belong to the class-based Marxist ANC fraction, although it is "against their own class interests" (Pillay 2011: 32).

Within the ANC the different fractions and their ideas become visible in struggles over the ANC leadership (and therefore most likely for the head of state). For instance, the internal battle for leadership between former President Thabo Mbeki and current President Jacob Zuma represent different fractions within the ANC. Put simply, they were distinguished between the thinker (Mbeki) and the poser (Zuma) (Zapiro 2008). However, behind this battle were more than two different leaders defined by personalities, experience and networks. The leadership debate also showed the internal divisions in the ANC. While the ANC was an African national movement from its beginning, another relevant fraction emerged with close ties to the Communist Party of South Africa (today the SACP) and later to the umbrella trade union organisation COSATU. This brought a new dimension and an emphasis on anti-capitalism and the working class into the elite-focused organisation. The ANC had already consisted in its early stages of various class interests and worldviews that remain a crucial character of the ANC (Ndletyana 2013: 60–66). Those various perspectives also came together in the battle over ANC leadership in the mid-2000s. Thabo Mbeki and Jacob Zuma symbolise the different fractions. Mbeki belongs to the ANC exile fraction with an elite education from abroad and is seen as an intellectual. During his leadership, his policy decisions were made in the inner circle, although he had a functional cabinet that enjoyed a good reputation (Butler 2010: 167; Calland 2006: 21; ANC n.d.). Jacob Zuma, in contrast, has limited education and was involved in the military wing of the ANC. Zuma therefore belongs to the national fractions because of his own class position. The Mbeki fraction is related to black business, the conservative class and the comprador bourgeoisie because of transnational linkages formed during exile. Mbeki can be seen as a spokesperson for the comprador bourgeoisie, while the Zuma fraction has closer ties to the labour movement.

Zuma not only received support from trade unions in corruption and rape scandals, but also from the ANC youth and the women's league (Pillay 2011: 32; Butler 2010: 165–167; Gordin 2008; FES 2007). In this constellation, Zuma acted more as a spokesman for the national bourgeoisie; he won the ANC presidential elections in 2007 and 2012 and was elected state president in 2009 and 2014. As a result of his election in 2007, Mbeki resigned as state president in September 2008 after a recall by the ANC top leadership in the National Executive Committee (Zuma 2008).[1] This action demonstrated the strong interrelation between the party and the government/state: "As the ruling party we need to sustain the confidence of our people in the ANC and its government. Once this level of confidence is weakened, the ANC has no alternative but to take action" (Zuma 2008). This essentially justifies the ANC leadership taking power from the state (Booysen 2011: 359). The lasting tensions that were created "are a result of the multiclass character and the ideological plurality of the organization itself" (Ndletyana 2013: 69). It is for this reason that support from political and business elites also differed regarding Mbeki's more African nationalist fraction and Zuma's more democratic socialist fraction. While Mbeki received support from political and business elites from the Eastern Cape, Zuma's election brought more opportunities for business and the elite from KwaZulu-Natal (Butler 2010: 166, 181). In the context of black capital interests and fractions, Zulu capital received similar chances to the Mbeki-related Xhosa capital, but not all Xhosa business people received the same support. Due to the 1996 class project (economic policy shift to GEAR) and the experience with Mbeki loyalists and fractions, COSATU and the SACP supported Zuma in the hope of gaining ground for more leftist policies (Butler 2010; Gelb 2006: 2) that did not materialise.

After the success of the Zuma fraction in gaining ANC and state leadership, he continued the previously introduced policies and did not make a turn in economic policy as expected. One main shift by Zuma was to deconstruct the power of the National Treasury as the most powerful ministry with authority to approve or reject other ministries' plans (Butler 2010: 177). During Mbeki's time, the National Treasury had political and economic power, and Zuma addressed this issue by creating two new ministries, one for Economic Development and one for National Planning. However, the competencies were not defined exactly among all four (including the Department of Trade and Industry) economic ministries, and they did not work closely together. Thus, the new ministries could not challenge the National Treasury (Ndletyana 2013: 54, 58). Zuma appointed more leftists, but the policies remained and the conflicts with the alliance did not change under Zuma (Butler 2010: 181). Over the few last years, it has become more and more evident that under the Zuma administration, corruption and patronage are increasing and influencing policies and relationships with the working class (Beresford 2016: 70–71).

This development has to be watched carefully, and the relation of the ANC to the working classes has not yet broken. The ANC-led tripartite alliance (ANC, COSATU and the SACP)

> glues together disparate social classes under the hegemony of conservative class interests—a coalition of white and emerging comprador black capital (enmeshed in ever-expanding networks of patronage and corruption), and a professional black middle class that has done rather well out of the post-apartheid dispensation. (Pillay 2011: 32)

Pillay's statement and several political actions (e.g. the GEAR class project) indicate that the ANC used its working class allies for their policy plans. The ANC, particularly under Mbeki, used a strategy of co-opting their alliance partners, because the ANC saw itself as a leader not only in the struggle against apartheid but also in the alliance (Buhlungu 2002: 182–184). The ANC gave key civil servant leadership positions at the top as well as at the bottom of the state to unionists, leading Buhlungu to conclude that the ANC has "a sophisticated strategy of containing the unions within the alliance" (Buhlungu 2002: 195). The alliance of the ANC, COSATU and the SACP was characterised by content disputes and even ideas of a break up, but the alliance had experienced ups and downs since the beginning of the ANC government, albeit with an interim honeymoon phase (Pillay 2011: 38) and a cooling-down phase, especially after the GEAR announcement. Contrasting views were visible in the public debates after the election of Mbeki in 1999. COSATU criticised the government over their Zimbabwe policy as well as their macroeconomic policy (Venter 2006: 9). In turn, Mbeki generally seemed not in favour of supporting the unions due to his different economic agenda and lack of a working class connection. COSATU nonetheless supported the ANC in the national and municipal elections, and it also supported Jacob Zuma. However, even under the Zuma administration, the alliance continued to struggle (Beresford 2009: 11–14; Venter 2006: 9; Buhlungu 2002: 193) and relations between the alliance partners remained highly hierarchical, which has had a major impact on the working class. The power of the ANC within the alliance remains strong, and they use their position to keep the unions close with the argument that the ANC would be more neoliberal and conservative without their support. At the same time, the ANC and COSATU leaders have close ties and possible career options keeping them together. Therefore, it was no surprise that COSATU leaders worked for an expulsion of the National Union of Metalworkers South Africa (NUMSA), who did not support the ANC in the national elections 2014, and declared the alliance dysfunctional (Ranchod 2016: 118–119; Beresford 2016: 14–15).

In the case of business, the relationship differs depending on ownership and personal relations. Because of the ANC's historical relationship with the working class and the socialist language of the freedom charter of 1955, business was very sceptical regarding the new government during the transition to democracy. As Terreblanche (2012, 2002) argues, the ANC and business therefore agreed on an elite compromise, which secured the economic power of the national and foreign corporate sector. Furthermore, the ANC implemented Black Economic Empowerment (BEE), which created the opportunity to provide the elite with access to business (Terreblanche 2012: 67). BEE was only possible with the support of the domestic bourgeoisie[2] and the international economy. Gelb points out that the domestic bourgeoisie was a central actor in the debate over BEE, but a broader class alliance was necessary for the implementation. Gelb further argues that the left needed to be part of "transforming the bourgeoisie" (Gelb 2006: 7), and that the left should engage with small business, which had been neglected because of political weakness (Gelb 2006: 7–8). In this sense, small business was similar to Afrikaner capital, which was also politically weak and can be classified as internal bourgeoisie. In the debate over BEE, the term black patriotic bourgeoisie relates back to the National Democratic Revolution (NDR). It is assumed that in the NDR, the ANC and its allies have gained control over the economy, but some elements of BEE conduct belong to engagement with the black bourgeoisie as well (Southall 2004: 314–315), and BEE fits into the ANC ideology. The empowerment strategy also created a black middle class, which gains from this development as long as it supports the ANC. Although the BEE deals created a black economic elite, its capacity to influence the economy in general remains limited (Holden 2012: 237–238; Lindsay 2011: 240).

The Alliance Partners: The SACP and COSATU

As discussed in the previous section, the ANC has a very close relationship with the South African Communist Party (formerly the Communist Party of South Africa) and the Congress of South African Trade Unions. In contemporary South Africa, these three entities form the so-called tripartite alliance. Not much is known about the evolution and current operation of the alliance (Plaut 2012: 4), but according to COSATU:

> The Alliance is centred around short, medium to long terms goals of the National Democratic Revolution—the establishment of a democratic and non-racial South Africa, economic transformation and continued process of political and economic democratisation. (COSATU n.d.)

The common goal under the NDR was to overcome the apartheid system (Plaut 2012: 4), so the roots of the relationship are the result of the liberalisation struggle that also included the working class as an important force. The tripartite alliance emerged in 1990, thanks to the strong collaboration of COSATU, the SACP and the ANC during apartheid. Both the SACP and COSATU address the working class in their political strategies, making their relationship with the current ANC government and the working class crucial factors for their access to power. Due to the alliance, the leadership of the SACP and COSATU belong to the political elite, but they differ in their functioning as an organisation as well as their role in the alliance.

The historical evolution of these two ANC alliance partners is one point of divergence, but they had a close relationship during the liberalisation struggle. In 1921, the predecessor of today's SACP, the Communist Party of South Africa, was formed to represent the black and white working classes in South Africa and was calling for a socialist revolution. During the liberation struggle, the SACP aligned with the ANC. While in Europe the communist party declined rapidly after the collapse of the Soviet Union, the SACP remained influential (Adams 1997: 237) but has struggled in recent decades with maintaining membership, especially in the aftermath of the GEAR policy (Hesjedal 2009: 81; Nzimande 2008). In March 2013 at a COSATU bargaining conference, the Minister for Higher Education and Training and the General Secretary of the South African Communist Party Blade Nzimande mentioned that there were 170,000 SACP members. This calculation could be the result of the fact that many SACP members are also members of COSATU and/or the ANC, and there is high crossover among members (Nzimande 2013; Calland 2006: 143).

On paper and rhetorically, the SACP and COSATU still follow the fundamental principles of Marxism-Leninism and its aim to "be the leading political force of the South African working class whose interests it promotes in the struggle to advance, deepen and defend the national democratic revolution and to achieve socialism" (SACP [1990] 2012). The SACP claims to be a party of the working class that stands for political change, which also fought for change in the existing social order before and during apartheid. Continued active membership in the SACP shows that communist parties were able to survive after the 1990s, but in contemporary South Africa the position of the SACP is different than it was in the past. Although achieving socialism is the overall goal, the SACP learned that they needed to be involved in policy making to achieve their goals. The alliance between the SACP, COSATU and the ANC thus provided the small party with the opportunity to be part of the ruling bloc (Thomas 2012: 113). If not for the alliance and joining the government, the SACP might have even disappeared from the party landscape in South Africa. This precarious status was also exposed under the Mbeki administration, which tried to suppress SACP influence. A similar observation can be made about the trade union umbrella organisation COSATU.

Alongside the SACP, the trade union movement in the form of COSATU is also part of the alliance. While the non-racial trade unions were initially absorbed by the ANC and the SACP, they re-emerged starting in the 1970s (Plaut 2012: 5). COSATU was formed in 1985 and all non-racial trade unions were allowed to join the organisation, for example, the National Union of Mineworkers, which played an important role in the anti-apartheid struggle and organised mineworker strikes. COSATU and its member trade unions supported the ANC in the liberation struggle and built a close relationship with the banned African National Congress as well as the South African Communist Party. In the early history of COSATU, its position, role and impact changed rapidly. During apartheid, COSATU opposed the National Party-led state and was engaged in applying pressure for a new political and economic system. COSATU was also actively involved in the planning and shaping of South Africa's democratic and economic future in the transition phase. In contemporary South Africa, COSATU's position regarding the state and its institution has changed, as the state is no longer viewed as the enemy (Buhlungu and Tshoaedi 2012: 12). Despite this development, leftist Marxist rhetoric continues to be the language of COSATU, similar to the SACP. In their declaration at the 10th National Congress in 2009, COSATU committed themselves to this ideology:

> We further commit to build Marxism-Leninism as a tool of scientific inquiry to search for answers in the contemporary world. Marxism is also a guide to action. It is also pivotal to rebuild working class confidence in its ideas and heritage. (COSATU 2009)

However, as Buhlungu and Tshoaedi (2012) argue, “most [COSATU members and leaders] no longer believe in the need for and the possibility of changes in the social order” (2012: 13). COSATU’s strategy of close cooperation with the ruling ANC party provided it with the opportunity to shape policy making, which could explain COSATU member opinion about the current social order. As of 2012, COSATU represented around 2.1 million union members from all 19 affiliated trade unions.

Its position in the relationship of forces gives COSATU a double function and meaning as a representative of workers. On the one hand, trade unions are involved in the government and, on the other hand, they negotiate wages and working conditions with the government as an employer as well as with private companies, like any trade union. To influence policy in a concrete way, COSATU has made more than 250 submissions to parliament and maintains its own research think tank called the National Labour and Economic Development Institute that conducts labour-related and economic research (Calland 2006: 133–135; NALEDI n.d.). In the South African case, it is characteristic for leading members of trade unions to also represent trade union interests in government, the state apparatus and/or as politicians (McKinley 2003: 46), though this is not without obstacles and can create problems for workers. Buhlungu (2010: 13) generalised that trade unions are part of the elite in developing countries, a sentiment that can be observed with COSATU in South Africa as well. Generally, brain drain from unions into the government and the option of political opportunities are some of the gains for union leaders (Beresford 2016: 52–53, 77). The constellation of the alliance provides COSATU and SACP members with Member of Parliament candidates under the umbrella of the ANC (Zimmermann 2004: 252; McKinley 2003: 46), so COSATU and the SACP are also represented in parliament and the cabinet.

The alliance has had its ups and downs, and the influence of the alliance partners remains contested with numerous conflicts inside the alliance and in the context of GEAR. Decision-making processes within the alliance are rather a black box. The alliance had its first internal dispute over the announcement procedure for a new economic policy. The relationship in the alliance deteriorated considerably due to non-consultation of COSATU, Trevor Manuel's declaration of a policy implementation as "non-negotiable" and differing perspectives on economic policy (Seekings and Nattrass 2015: 225; Marais 2011: 112; Pillay 2011: 36; Buhlungu 2002: 197). As previously described, the neoliberal project GEAR was contradictory to the leftist economic policy of worker representatives in COSATU. The experience of GEAR led consultation strategies to be considered in subsequent economic policy programmes, but the general direction of economic policy remained. GEAR ultimately failed also due to insufficient institutional support from the alliance (Gelb 2006: 4), but the introduction of GEAR and its policies were crucial for the history and development of the tripartite alliance as it followed different economic and social ideas than COSATU and SACP were proclaiming. There were debates in COSATU about whether or not to split off and build a leftist alternative together with the SACP, but both decided to continue with the alliance. Although it largely fails in practice, the alliance seems to be in the interests of the working class because of the possibility to influence ANC leadership (Pillay 2011: 32). According to a COSATU worker survey, COSATU member support for the alliance declined from 82% in 1994 to 61% in 2008 (Khunou 2012: 179). In the 2012 worker survey, 70% of the COSATU members said that COSATU should remain in the Alliance (COSATU 2012: 40). Due to several faults in the Alliances like factionalism within the ANC, there were disputes between ANC and SACP as well as the split of COSATU due to different views on the ANC support. These developments resulted also in a loss of almost a million COSATU and ANC members between 2012 and 2015 (Kotze 2016). COSATU and the SACP had a strong opposition role within the alliance, which had an impact on the position of the SACP during the Mbeki government. A shift of the SACP position occurred under Zuma because of the assumption that his administration would be more in favour of the working class. Zuma incorporated the SACP into his government with four cabinet ministers and four deputy ministers (Paton 2013), as well as further positions for SACP members as state manager in the new Zuma administration (Pitcher 2012: 208). Overall, however, the SACP perspective hoped for a change in economic policy that did not occur (Thomas 2012: 113; Pillay 2011: 38). In the first election, a large number of SACP parliament members received their seats through the ANC ticket as well as five cabinet appointments, including Alec Erwin as deputy minister of finance (Adams 1997: 237–238). Unfortunately, despite the high numbers, the party's ideas could not be articulated or implemented as part of state policy. Criticism and open dialogue within the SACP regarding the party's position in the alliance was also swept under the carpet, leading to criticism by members regarding the pure focus on the alliance and the attempt to influence the ANC instead of struggling against capitalism (Thomas 2012: 114, 121–122). In terms of its own role, the SACP represents the working class and aims to achieve socialism in the long term, but in everyday politics the SACP belongs to the dominant classes. This begs the question of whether or not the SACP is representing the working class in its current position, because like COSATU it is not a counter-hegemonic force even with the breakaway of some unions as they both were during apartheid. At least in terms of leadership, both are part of the political elite and ruling bloc, and they can be distinguished between a leadership fraction and a class-based Marxist fraction.

So far, the focus has been on formal organisations and institutions that represent the working class, but how do the actual workers and ordinary people enhance their demands and challenge the ruling class? COSATU, as a representative of part of the working class, and the SACP are instead part of the power bloc, and this has limited their connection to fractions of the popular class, including the working class, and thus the interests of the poor and unemployed. Calland framed the situation as follows:

> Somewhere between the heart of the government and the left sit the ANC's alliance partners SACP and COSATU. It is about as comfortable a spot as sitting on top of the Table Mountain cable car in a howling southeaster: the view is certainly captivating, but there is a long way to fall, the grip is precarious and the stakes are fairly high. (Calland 2006: 249)

This means that it is difficult to build fractions across the formalised working class under both COSATU and political leaders from the SACP with ordinary people and movement supporters because of their commitment to the alliance. In the eyes of the government, the ruling party and the bourgeoisie, the demands of the popular classes are not the key challenges for the South African economy and society (Calland 2006: 248).

In terms of economic and trade policy, the two ANC alliance partners share some commonalities. As shown previously, COSATU and the SACP were not involved in the debates on the economic policy programme GEAR from 1996. In this context, the SACP rejected GEAR and demanded that it be replaced with an industrial policy. In what followed, COSATU criticised the privatisation strategy by the ANC and organised strikes that the SACP joined (Satgar 2002: 166–167; Marais 2001: 162). The SACP and COSATU shared criticism of ANC economic policy, which created an atmosphere of possible alliance breakup (Calland 2006: 140; Southall 2003: 66). This atmosphere remains present as fractionalism due to personal decisions on the ANC leadership and election support by COSATU and SACP are ongoing matters (Kotze 2016).

One major difference between the alliance partners involves the National Economic Development and Labour Council (NEDLAC). COSATU can enhance economic and trade policy in NEDLAC, as the federation is one of the stakeholders in this forum. In contrast, the SACP is only indirectly represented in NEDLAC through individual ministers. For instance, the Department of Trade and Industry was run by SACP member Alec Erwin and is currently represented by Rob Davies. Erwin was supportive of the GEAR neoliberal class project and also of trade liberalisation. Under Davies, more consultation of different stakeholders has taken place. In the case of the Trade Strategy Policy Framework (TSPF), COSATU supported the idea of using industrial policy to achieve job creation. Nevertheless, COSATU and the South African Clothing and Textile Workers Union were sceptical and resistant regarding the WTO and the General Agreement of Trade in Services system, perhaps partially because COSATU is also active in trade negotiations (COSATU 2010: 56–57; Draper et al. 2010: 271; NEDLAC 2010). In general, COSATU's position regarding trade policy remains on a rather broad level, while its member organisations discuss some issues in more detail. For instance, NUMSA rejected the National Development Plan on the grounds of further trade and financial liberalisation, in particular the limitation of the state's role (Munusamy 2013), and was expelled from COSATU due to a call to break the alliance and not support the ANC in the 2014 elections (Beresford 2016: 15, 58).

The current SACP political programme (2012–2017) also indicates that it is critical of institutions like the WTO because of the dominance of the global North, particularly in food production. To achieve socialism, the SACP further demands state-led industrial policy and effective trade policy (SACP 2012: 13, 47, 68), but only general claims about trade policy are actually communicated. SACP members lead the DTI and were involved in policy making. It can be concluded that while the general language of COSATU and the SACP remains in the Marxist-Leninist tradition, their concrete trade policy remains very close to the ANC economic policy making strategy.

Opposition Parties and Their Relation to Capitalist and Popular Classes

As one party dominates South Africa's political system, opposition parties have limited capacity and opportunities to take an active role in shaping national policies. Besides the ANC, the Democratic Alliance (DA) has been the second strongest party in the last few elections. Interestingly, the third biggest parties in parliament have interchanged over the last couple of years. During the transformation phase and first years of democracy, the Inkatha Freedom Party (IFP) under Prince Mangosuthu Buthelezi was the third strongest party in parliament, and it was formed in July 1990 from the Inkatha National Cultural Liberation movement (IFP n.d.-a). It focuses in particular on the Zulu in Johannesburg and the KwaZulu-Natal region (Lodge and Scheidegger 2006: 13). The role of the IFP was very important during the negotiation phase and before the first election in 1994, because ANC and IFP members were entangled in violent conflicts; the IFP only agreed at the last moment in April 1994 to participate in the election (Wood 2000: 188). After participation in the Government of National Unity, the IFP fell back to third strongest opposition party for more than a decade. They are hardly involved in trade policy, but their position is pro-export economic zones and free trade zones with general support of free trade agreements with the European Union (IFP n.d.-b). Despite this general support, they also criticise the EU's rhetorical approach in terms of overall warm words turned cold in the TDCA negotiations (Fioramonti and Oliver 2007: 408).

In the 2009 election, the Congress of the People (COPE) became the third strongest party in parliament with 7.32% (Electoral Commission of South Africa 2013b). COPE participated for the first time in national elections and was only formed in November 2008 by Mosiuoa Lekota and former Gauteng Premier Mbhazima Shilowa as a result of Thabo Mbeki's resignation in September the same year.[3] Due to internal disputes and resignations (Marais 2011: 374), however, the political peak was short-lived. In the 2014 election, the Economic Freedom Fighters (EFF),[4] who postulates more left-wing policies, became the third strongest party. Former ANC youth league leader Julius Malema runs the party and the parliament group, who are highly critical of the current government as they have shown in parliament (Falanga 2014).

The main focus in the field of trade and economic policy is on the second strongest party in parliament, the Democratic Alliance (DA). The DA has its roots in the former Progressive Party (PP), which spilt from the United Party in 1959. The United Party did not oppose apartheid, but the PP opposed the National Party in the apartheid parliament. From 1961 to 1974, Helen Suzman from the PP held one seat in parliament and was famous for her criticism of NP policies. Interestingly, big businesses, including Anglo-American, provided financial support for the PP (Plaut 2012: 245). At the end of the 1980s, the PP and other parties formed the Democratic Party (DP) and became the major opposition party in the 1990s. In 2000, they formed the Democratic Alliance with the New National Party, which was a breakaway party from the previous National Party. The merger did not last long due to personal tensions, so New National Party members joined the ANC in 2001. Since the beginning of the new century, the Democratic Alliance has been able to increase their votes in national and provincial elections, receiving 12.37% in 2004 and 22.23% ten years later in 2014. In the 2016 municipality elections, the DA received 24.57% (Electoral Commission of South Africa 2014, 2016; Plaut 2012: 246). This demonstrates that the DA continues to be the ANC's "only real competitor" (Plaut 2012: 251), providing the provincial government for the Western Cape province as well as the mayor of the second largest city, Cape Town. This means that the DA has provincial and local governing functions in some parts of the South African state (Calland 2013: 227). Having started off as a perceived white party, the DA now wants to be a multiracial party, with some success already in the Western Cape (Southern 2011: 287, 294). The DA have attempted to overcome race stereotypes (Plaut 2012: 250) and led Seseane to conclude that "not unlike those in the 'broad church' of that other bourgeois party, the ANC, DA members now include everyone from former white supremacists to anti-apartheid activists" (Seseane 2014). In the last few years, the DA has focused more on the mobilisation of black people and has tried to symbolise this in their party structures. Unfortunately, the DA does not provide data on membership composition (Cunliffe-Jones 2014), but the party claims that the number of black supporters has increased. DA leader Helen Zille claimed that 760,000 blacks voted for the DA in 2014 (Plaut 2014).

In particular, urban black and coloured voters in the Western Cape are increasingly voting for the DA as well as the Indians in Durban (Joubert 2014; de Kadt 2014: 52). DA members mainly have secondary and tertiary education and are not as affected by poverty in contrast to ANC members (Graham 2012). This means that they generally have a rather wealthy background and, in this context, it is no surprise that most DA supporters are still liberal, white and rich. The connection to white-owned business is highly interrelated to DA ideology, which has liberal roots and a connection to the German Free Democratic Party as well as the Friedrich Naumann Foundation[5] (Lodge and Scheidegger 2006: 32). The DA's political success in the Western Cape can also be ascribed to the economic status of the province and the city of Cape Town. Small, medium and microenterprises are the key economic drivers in the Western Cape. Mainly finance and service capital is located in Cape Town/Western Cape, and this capital contributed 30–35% to the city GDPs from 2005 to 2009. It is even framed as a service-based metropolitan economy and the top FDI destination in South Africa, though the FDI destination sectors have changed (City of Cape Town n.d.-a, b). The DA in general runs a wealthy province with a lower unemployment rate than the national average.

In Cape Town and beyond, the middle class supports the DA in order to keep and enhance their current socio-economic positions. The suspected list of DA donors supports this evaluation. Up to now, South African parties have not been required to release the identity of their donors because there is no regulation on this matter. As a result, there can only be speculation about DA donors similar to other parties as the donations are not disclosed to the public. Due to historical linkages during apartheid, the DA still receives support from the Oppenheimer family. Furthermore, the DA was affected by scandals based on allegations that its donors were from speculative finance business or the Gupta[6] family like the ANC (Phakathi 2013; Lodge and Scheidegger 2006: 35). Although not much is known about DA donors and it is therefore not possible to draw definite links between capitalist fractions and the DA, it can be assumed that most donors either support more than one party or support the opposition parties' policies. In the 2016 municipality elections, the DA received 62.57% of the votes in the Western Cape and 36.70% in Gauteng (Electoral Commission of South Africa 2016). Support in the Western Cape and Gauteng indicates that mining and finance capital, in particular, seem to be supporters of DA policies. In these two provinces, the DA is politically strong as "a clear voice of liberalism" (Calland 2006: 166). The DA strongly emphasises that they "are a political party and not a chamber of business or public enterprise" (Stevens 2011), and they do not have a good relationship with the ANC and working class representatives. During his presidency, Mbeki used the "race card" several times against the DA, notably in the arms deal and the debate on HIV/AIDS, attempting to negate or invalidate other arguments (Durrheim et al. 2011: 195; Matisonn and Kimberg 2001). Race issues aside, personal verbal attacks took place in the policy discourse. In 2010, the former ANC youth league leader Julius Malema derisively referred to DA leader Helen Zille as an insect: "You have put a cockroach in Cabinet and we need to remove that cockroach by voting the ANC into power" (Julius Malema cited in SAPA 2010).[7] The DA also criticised COSATU for viewing Brazilian policy as a role model for the South African economy and the belief that motivating Zuma for more state intervention would solve South African economic problems (Harris 2012). The DA's own growth strategy also draws from a connection to Brazil as a successful middle-income country (DA 2012: 68), representing a different perspective on economic policy than that of the trade unions. Harris also criticised the labour aristocracy, in this case NUMSA, because of the union's strike against youth wage subsidies.[8] In this context, the DA also generally advocated for stricter regulation of strikes, for example through the introduction of a compulsory ballot (Harris 2014). Aside from a few indications of DA connections to working class representatives as well as the capitalist fraction, information is rather limited.

The field of economic and trade policy is one of the key sectors of DA engagement. Mainly, the focus is on job and growth creation, and the DA has shifted away from their aim to "protect white-owned business and other minority interests" (Calland 2013: 222) as under the previous DA leader Tony Leon.[9] Links between growth and job creation were central to the last election manifestos as well as the DA growth strategy paper:

> the Democratic Alliance, will focus on building an economy that is internationally competitive, that builds on our strategic position on the African continent, that is sustainable, and that creates jobs and expands opportunities to all. (James 2012a)

The DA addresses capital interests in national, regional and global markets. The idea is that South African business can achieve growth by trading more with its neighbours. Growth "can also be promoted through an export regime and trade policy that make it easier for [...] companies to do business in the global market" (DA 2014: 30). In the case of the European Union, the DA wants to strengthen trade arrangements (James 2012b) and attract more FDI from the EU (James 2013b), and they criticise the subsidy system of the EU and the USA (DA 2009: 37). While there is hardly any information on the role of the DA during negotiations, the conclusion of the EPA was welcome, but the DA questioned whether new export taxes would be suitable for the South African economy. Although the DA is in favour of more trade with the EU, it also considers the BRICS to be an important investor and partner for South Africa as well as the African continent (James 2012b, 2013a).

With this connection of regional and global perspectives, the DA captures different capital interests in its statements and policy programmes. The DA is currently the only opposition party with the chance to change the balance of power in the political party system, but in its current position it has only limited possibilities to influence national trade policy. The DA partially compensates for this by promoting its perspectives on trade issues in the public sphere and in parliamentary debates.

As Table 5.1 shows, the ANC, as a former liberation movement, consists of a mixture of class fractions with different ideas, needs and linkages. The class-based Marxist ANC fraction shares common ideological perspectives with the tripartite alliance partners, the SACP and COSATU, but their practical economic policies are not shaped by this tradition. The connection between the left fractions is unsettled, as it is confronted with the more liberal and national fractions that rather promote economically liberal policies and ideas. ANC leadership mainly shapes the tripartite alliance, and although COSATU and the SACP openly criticise ANC government policies, they are also co-opted through government positions. Thus, a leadership fraction and a class-based Marxist fraction are active in COSATU and the SACP. Despite its left-wing fractions, the ANC elite has close ties to capitalist fractions, mainly supporting the new small business elite and providing them with support through their own business forum (ANC PBF). The opposition party, the DA, also has different fractions. However, in this case only their general position in state-capital relations is important. In contrast to the ANC, the DA still has an intensive link to white-owned business as a formerly white party. In its policy programmes, however, the DA addresses different capitalist fractions and even black businesses. The constellation of the political elite in the tripartite alliance provides advantages in bringing in more class fractions as well as disadvantages in terms of an increase in class conflicts over economic and social issues in the ruling class.

Table 5.1 South African political elite

Political elite	*Fraction*	*Collaboration*	*Trade interests*
ANC	African nationalist/ moderate fraction	Black capitalist, co-opt trade union leaders	Liberalisation
	Class-based Marxist/ ultra-critics fraction	COSATU and SACP leadership	Protectionism
	Liberal sceptics	National and foreign capital	Protectionism
SACP	Class-based Marxist	ANC class-based Marxist/ ultra-critics fraction	As part of the government: liberalisation
	Leadership fraction connected to the ANC	Government Working Class	As a party: in favour of the working class
COSATU	Class-based Marxist	ANC class-based Marxist/ ultra-critics fraction	Protectionism
	Leadership fraction connected to the ANC	Government Formalised working class	
DA	Old white fraction	Former Afrikaner/English capitalist fractions	Liberalisation
	New black/white fraction	Black capitalist Foreign capital	

Notes

1. More in Hartley (2014).
2. Gelb uses the term domestic bourgeoisie, which is understood in this context as internal bourgeoisie in considering the presented theoretical lens.
3. The ANC National Executive Committee decided that as Zuma was ANC president, Mbeki had to resign from his position as the state president. This decision was highly controversial, and COPE leaders and members were mainly supporters of Mbeki in the beginning (Hartley 2014).
4. The ANC received 69.69% (2004), 65.9% (2009) and 62.15% (2014) of the votes. While the ANC experienced a decline in voters, the DA increased its support from 12.37% (2004) to over 16.66% (2009), to 22.23% (2014). The results for the third strongest party differed. IFP support also declined from 6.97% (2004), to 4.55% in 2009, down to 2.4% (2014). COPE received 7.42% in 2009 and only 0.67% in the 2014 elections. The EFF had 6.4% of the voter share (Electoral Commission of South Africa 2013a, b, 2014).
5. The Friedrich Naumann Foundation for Freedom granted the 2014 Freedom Prize to current DA leader Helen Zille (Friedrich Naumann Stiftung 2014).

6. The Gupta family started its business in 1997 in South Africa and formed the Sahara Group in 2000. The major companies are Sahara Holdings and Oakbay Investments, which pursue business interests in IT and mining. Financially, the whole group had a turnover of 1 billion Rand in 2011/2012. Several relatives of President Zuma hold leading positions in these companies (Bleby 2012).
7. I attended the ANC Stellenbosch rally where Malema held his 'cockroach' speech.
8. The National Treasury started a programme to bring young people into work. Mainly, the idea is that the state partly pays their salaries. Already at the draft phase of the programme, trade unions were highly resistant to this programme, as they feared for regular jobs if the DA supported the National Treasury on the debate over youth subsidies.
9. Tony Leon was a member of parliament from 1989 to 2009. He was the leader of the Democratic Party and later the Democratic Alliance (1994–2007) (Leon 2014). He started the controversial "fight back" campaign for the 1999 elections and did not have a good relationship with Mbeki. His relationship with Zuma improved, as evidenced by Zuma appointing him ambassador (Davies 2012).

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CHAPTER 6

South Africa's Popular Classes

In contrast to the power bloc, the popular classes have less room for manoeuvring in policy making. Similar to other classes, these actors and class fractions were mainly shaped by the historical implications of a race-based capitalist and political system. The working class and its fractions are part of the popular classes. However, the concept of popular classes goes beyond the working class as it includes other classes not only defined through the capitalist mode of production. Popular classes do not follow common interests per se, as the working class fractions might have other interests (Poulantzas 1973: 30–34). Firstly, taking this into account, the working class representatives in COSATU and SACP both claim to represent worker interests and form part of the political elite due to the tripartite alliance. Trade unions in general currently under-represent the poor and unemployed (Webster and Buhlungu 2004). Secondly, during apartheid, labour movements and labour representation were also shaped by race, and this still has an impact on the working class. Thirdly, the migrant labour system (Wolpe 1972), in particular in the mining sector, provided the capitalist class with cheap labour. The capitalists paid low wages, arguing that because of subsistence farming in the rural areas, workers do not need much money to sustain their families. The apartheid wage gap still persists in the contemporary mining accumulation regime. The demand to change the low wage regime is articulated through strikes, particularly in the mining industry. Fourthly, beyond the working class, South African

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society also consists of a large number of unemployed people as well as other forms of class organisation beyond work and capitalist modes of production. Some popular class demands are taken up by social movements or community organisations that challenge the dominant classes and their power blocs in some policy fields, for example, by fighting against privatisation and demanding service delivery. In the following, the various organisations and institutions are highlighted in order to understand and identify class dynamics and fractions within the popular classes as well as their potential alliance partners in the power bloc.

Working Classes, Their Fractions and Representatives

The South African workers' movement plays a crucial role in the relationship of forces. Due to the racial discrimination of blacks, the working class and its fractions are shaped not only by mode of production. Similar to the rest of society, the working class was also split between white and black working class segments with privileges for white workers during apartheid. Until 1979, trade unions were only allowed for white workers. The white working class had political freedom to organise themselves, while the black working class were excluded from this privilege until the 1980s. Regardless of their skills, the majority of black workers remained as cheap and unskilled labour (Visser 2000: 2; Nattrass 1997: 12–13). Racial division in the working class started to change through the legalisation of black trade unions in the early 1980s, for example, the National Union of Mineworkers formed in 1982 (NUM n.d.). This historical division of the workers' movement remains relevant today, because most white workers are still organised in formerly white-only trade unions. Besides difference along racial lines, the working class can be differentiated in the form of several instruments, like income, earnings, organised/non-organised and sector-based organisations, similar to the capitalist class. In addition to a general upper, middle and lower class, Seekings (2003: 17, see also in Southall 2016: 61–62; Seekings and Nattrass 2015: 115) defines a core working class (semi-skilled and non-skilled workers) and a marginalised working class (farm workers and domestic workers as well as the unemployed) within the middle and lower classes. The public sector workers and petty traders belong to the middle class (Seekings and Nattrass 2015: 115), although they might have different class positions in the capitalist mode of production (Poulantzas 1977: 120).

The socio-economic structure explains the nature of the manual and non-manual working class and its fractions. According to Statistics South Africa (2014), the median monthly earnings of skilled workers, such as professionals, managers and technicians, increased from 9000 Rand in 2010 to 11,478 Rand in 2013, which is the largest increase within the working class. For semi-skilled workers, the median increase was only 466 Rand (from 3000 Rand to 3466 Rand) in the same period, while low-skilled workers averaged 1400 Rand in 2010 monthly earnings and 1700 Rand in 2013. The development of worker earnings also differs among industries. For instance, utilities (8666 Rand in 2013), mining and services (both 6000 Rand in 2013) have higher monthly earnings than private households (1300 Rand in 2013) (Statistics South Africa 2014: 4–22). Although monthly earnings are indicated by type of worker, this is not the whole range of monthly earnings. The bottom 5% of 12.9 million workers earned only 500 Rand per month in 2010, while the top 5% earned 18,900 Rand. However, this also includes employers earning an average of 58,333 Rand per month (Statistics South Africa 2010: vii), which shows that the South African working class have different earning levels that also shape their position within society. This includes an indication of working class fractions based on occupation and skills. There is generally a very poor/marginalised worker fraction in the area of domestic work and farming, who are insufficiently represented by COSATU as elaborated below, because their earnings are barely enough to live on. In contrast, skilled workers belong to the upper working class while semi-skilled workers are balanced between the poor and very poor working class. Interestingly, however, the COSATU worker survey shows that union members are more likely to earn more than 5000 Rand per month in all occupations from elementary worker to managers and professionals. Another point here is that the differences in earnings between union members and non-union members are much higher in the group of lower and semi-skilled workers than in the group of managers and professionals (COSATU 2012: 4). This makes it possible to identify the working class in union and non-union working class fractions. The fractions of non-union members are distinguished between fractions not interested in joining a union or having left one and those who have no contracts or are involved in informal or seasonal work. These workers do not fall under any bargaining council where trade unions typically represent their members in negotiating wages and working conditions (COSATU 2012: 33–35).

This also shows a shift in industrial relations, but the numbers can only serve as an indication of the structure of the working class and its fractions, in particular because the data is averaged. It therefore does not indicate the conditions of workers and their forms of contract or whether they have standard work contracts, work in a labour brokerage and/or are involved in precarious employment and formal or informal work. Changes in the labour market and the workplace nevertheless also have an impact on the working class, and there is often an overlap between monthly earnings and form of employment. Webster (2013: 219) argues that there are three zones of work with different employment regulations. First are the core workers with standard employment and benefits who also have "access to legislative rights and union voice" (Webster 2013: 219), but the absolute numbers of the core working class fraction have declined (Seekings and Nattrass 2015: 113). Non-core workers, in contrast, have employment relationships characterised by temporary status or a triangular construction, for example, through outsourcing and labour brokering, and are disadvantaged on the job market. Although they have a working contract, they receive low wages and have hardly any job security. These workers are continuously losing ground on skill development and have limited access to rights and trade union representation. However, their existence also challenges the core worker privileges because they are more flexible in addressing capitalist demands (Webster 2013: 219). These groups tend to belong to the previously mentioned poor working class fractions, while core workers remain part of the upper working class fraction. As a third zone, Webster (2013: 219) includes the periphery of unemployment and informal work and therefore also subsistence activities. Over the last decade, the unemployment rate has officially stayed at around 25% (Statistics South Africa 2014: i), so the South African labour market has a huge army of labour that is not absorbed in the current status of the economy. The fraction of unemployed workers also challenges the existing core and the skilled working class fraction. Their interests are neglected within worker representation structures, making them a marginalised working class fraction.

In general, the demands of individual workers and working class fractions tend to be condensed within trade unions, which have three major umbrella organisations, COSATU and two others: The Federation of

Unions of South Africa (FEDUSA) and the National Council of Trade Unions (NACTU).

In 1997, FEDUSA was formed from the former white umbrella trade unions of the Federation of South African Labour Unions and the Federation of Organisations Representing Civil Employees. At the time of establishment, FEDUSA had around 515,000 members,[1] which were mainly white. In comparison to COSATU and NACTU, FEDUSA focuses on white collar workers with membership in the field of services and non-manual work like teaching, engineering and medicine. In comparison to other trade unions, FEDUSA sees itself as non-militant and independent from the ANC government and the ruling bloc. The majority of members are white workers, and the board still represents this historical heritage of the merger of former white organisations (Ludwig 2017: 210; Webster and Buhlungu 2004: 231–232; FEDUSA n.d.). FEDUSA considers it an advantage that they are not "crippled by ideological and party-political ties and [therefore] can focus on its real mandate, namely workplace matters and issues that affect its members" (FEDUSA n.d.). The representation of workers only takes place with a limited number of resources and funds for the small head office. Due to limited financial resources, they have no research unit as COSATU does. This limits intervention into policy debates without current research, and therefore the FEDUSA strategy is more directed towards lobbying individual government officials (Webster and Buhlungu 2004: 232–233, 241).

The third umbrella organisation, NACTU, was formed in 1986. It has roots in the black consciousness movement and is an African trade union. Its main goals are to represent the working class and follow a policy of non-racialism, because workers were only divided by race in the apartheid era (Southall and Webster 2010: 139). NACTU is the smallest umbrella trade union organisation with 300,000 members (Trade Unions South Africa 2012; NEDLAC 2012), but the number of members increased when the Association of Mineworkers and Construction Unions (AMCU) became involved in the mining protests of 2012. NACTU counted almost 400,000 members at the beginning of 2013, and now the number is closer to membership in FEDUSA (Ludwig 2017: 211; SA info reporter 2013). Member unions come from mining, construction and services. NACTU has limited funds and no research unit. The incident in Marikana in August 2012 caused member organisation AMCU to receive a lot of attention as well as the sole bargaining rights at Lonmin for 2014 (Fin24 2013; Steyn 2013).

All three umbrella organisations represent workers from different origins. COSATU is the dominant fraction, and while mainly discussed previously as part of the power bloc, it also belongs to organised labour. In the last decades, COSATU has experienced a decline in membership of unskilled workers and an increase in membership of skilled workers. This has roots in the decline of blue collar work, but also in the successful organisation of the public sector (Buhlungu 2010: 105–106). Accordingly, COSATU's membership composition has changed as the proportion of private sector workers declined from 94% in 1991 to 58%, and the public sector grew from 6 to 42% (COSATU 2012: 16). The majority of COSATU members are labourers and skilled workers (COSATU 2012: 13–15).

At the same time, COSATU almost never organises unskilled workers, in particular in domestic and farm work. It does not address their demands or appeal to workers in precarious employment, although they are a huge percentage of the workforce (Buhlungu 2010: 106). COSATU instead represents semi-skilled and skilled workers with ordinary employment. In addition to a change of members and target groups, COSATU has also experienced different types of leaders in the trade unions, which is not only relevant for COSATU. Buhlungu (2010: 125–127) differentiates between three types of unionists: ideological unionists, career and entrepreneur, which also symbolise a change of purpose for worker movements in general. While the older generation has a political perspective and see themselves as part of the class struggle (ideological), the younger generation has a rather opportunistic and instrumental approach (entrepreneur). The career unionists tend to be technocrats and focus on reforms instead of overcoming capitalism. This indicates that different member fractions also serve one class fraction's position within the umbrella organisation, similar to the case of worker fractions.

Ludwig (2017: 212) concludes that all three collaborate within the National Economic Development and Labour Council, but have different organisational strategies and ideologies. While FEDUSA is strongly market orientated, COSATU is on the left, fluctuating in orientation between Hyman's (2001) terms "class" and "society."[2] In contrast, NACTU's thematic orientation is between market and society. COSATU is part of the tripartite alliance, while FEDUSA and NACTU have no alignments, and representation also differs. FEDUSA clientele are white collar, and in the context of the theoretical framework partly include the former middle class as well as the middle class in contemporary South African society.

This means that FEDUSA still represents mainly white workers while COSATU and NACTU represent mainly black workers and the majority are blue collar unions, although COSATU has experienced a shift to more white collar workers (Buhlungu 2010: 105–106). NACTU's orientation is similar to COSATU's regarding the focus on black workers and the trade union identity between "market" and "society" (Ludwig 2017: 211–212). The different organisational structure and orientation is also visible in the articulation of press statements and action during strikes. While FEDUSA is worried about the status of labour in the country and work in NEDLAC with NACTU and COSATU (FEDUSA 2013), AMCU (a member of NACTU) and the National Union of Mineworkers (a member of COSATU) accused each other of escalating the Marikana protests in 2012 (Parker 2012). An often overlooked aspect of the Marikana incident, however, is that the strike was mainly organised by workers themselves without union involvement, despite many of the workers being members of the majority union NUM. This shows that even in a highly organised sphere, working class fractions want to organise themselves to demand higher wages. Labour fragmentation happens at the workplace, but also within the unions and umbrella organisations themselves. In the recent history of South African trade unions, the largest member of COSATU, NUMSA, was expelled in November 2014 after a vote with 33 for and 24 against. Before the national election in 2014, NUMSA withdrew its ANC election support at its Special Congress in December 2013. Moreover, it also questioned the COSATU alliance with the ANC and whether the politics are in the interests of the working class. The expulsion was mainly politically motivated in order to keep the alliance with the ANC stable, but COSATU argued that NUMSA violated their constitution with the call to leave the alliance. As a consequence of the expulsion, NUMSA formed the United Front in order to bring the working class and the left together (Beresford 2016: 15, 58; Ranchod 2016: 118–119; Nieftagodien 2015: 29; NUMSA 2014). Another more general result are splits from existing unions and the formation of new unions, like coverage of the metal industry by the Liberated Metalworkers Union of South Africa (LIMUSA) within COSATU. This leads to more fragmentation and fractionalism within the labour movement and their institutional representations (Beresford 2016: 58).

South African trade unions, in particular because of their strong position, are often criticised for their strategy to ensure that existing jobs are not challenged by lower wages or any form of subsidy. Accordingly, the

National Development Plan was rejected, for example, by former COSATU trade union member NUMSA, because they claimed it was an ideological neoliberal project. The NDP focuses on continuing the ownership practice, limiting the role of the state and further deregulation of the labour market (Jim 2013). A further criticism of the NDP follows the Democratic Alliance's ideological ideas. NUMSA's general secretary Irvin Jim claims: "We find that the NDP fails to outline how finance capital will be subordinated to industrial capital, and thus expansion of the real economy, creation of decent jobs and promotion of equality and elimination of poverty" (Jim 2013). This shows that NUMSA, as a trade union in manufacturing, partly aligns itself with industrial capital in order to secure the interests of the industry. It also shows that the working class has cooperative tendencies regarding manufacturing capital, at least at the level of worker representation. The perspective on economic and trade policy of the ordinary workers remains limited, as the trade unions and their federations address these policy issues on the national level, while the working class remains on the company and bargaining level. Particularly in the case of COSATU, the double role as part of the power bloc and representation of working class fractions therefore creates more contradictions.

In the area of trade policy, the working class and its fraction hardly have a voice. Policy analysis and recommendations are mainly in the hands of trade unions and their umbrella organisation officials. COSATU, for example, often speaks in parliament on the Trade Policy and Strategic Framework with the aim of stressing that import substitution is an option for creating jobs and reducing trade deficits. COSATU agrees with the tariff direction that generally allows state intervention in the degree of tariffs, but this also needs to be supported by research and development. In the area of agricultural trade, COSATU analyses poor working conditions and low performance, concluding that subsidised products from developed countries should be banned (Parliament of South Africa 2010: 1492–1496). In addition to this rather protectionist view on national trade policy, the trade unions are not in favour of more bilateral and multilateral agreements. In a NEDLAC trade and industry committee strategy session, labour presented its criticism of the WTO General Agreement of Trade in Services (GATS). A major criticism of trade in services was that it limits government power and policy. For instance, the GATS prohibited the implementation of the National Health Act of 2003[3] on the grounds of preferential treatment in rural areas (Sinclair 2005). Labour demanded that South Africa not make any further GATS commitments, and in the same meeting, labour also demanded more parliamentary involvement in trade negotiations (NEDLAC 2010). Labour officials, particularly in the framework of COSATU and its member organisations, thus represent worker interests in trade with a tendency to be protectionist and maintain room to manoeuvre.

Subaltern Classes Beyond Working Class

Popular classes and fractions are not defined in terms of their position in the capitalist mode of production or through wage dependency like the working class. Subaltern classes are rather categorised by indicators such as poor, unemployed and/or by geographical location. Alongside labour and social movements in South African society are a large number of unemployed people not represented and organised but mainly marginalised. Within the ANC, rural and urban poor people are not represented, and the trade union umbrella COSATU planned but failed to form a union to cover the unemployed (Seekings and Nattrass 2015: 264; Schiphorst 2010: 8). With NUMSA's support of the United Front, it is also trying to support a movement of the poor and unemployed (Beresford 2016: 106–107). The unemployed are part of the working class as a labour reserve, but they are not part of the active workforce. Hence, they find themselves in the class of the poor as a significant part of society hardly addressed in the debate. The class of the poor can be distinguished as urban- or rural-based and active or non-active fractions. People living on less than 352 Rand per month are considered poor, but COSATU argues for a poverty line under 1500 Rand (Legassick 2007: 508), which would create an overlap between the poor and the working class. Half of the people in rural areas live in poverty, while 40% of the urban population live on less than 352 Rand per month (Hoogeveen and Ölzer 2006: 68). In the centre of the issue are the urban and active fractions, because they have started to organise themselves in order to address their needs. They are not satisfied with the distribution of services and lack of access to jobs. Although not always spontaneously, service delivery protests are beginning to increase (Pillay 2011: 43) and challenge the power bloc. On the grass roots level, it is mostly the urban poor organising themselves in order to secure their living spaces.

While the working class is represented through trade unions, the class of the poor does not have any official or structured representation of their demands. Over the last decades, some of these demands have been articulated through new social movements that address general living conditions, mainly in the urban fraction. The emergence of new social movements has its roots in the ANC failure to resist global capitalism and address the needs of the ordinary and unemployed people (Seekings and Nattrass 2015: 237; Pillay 2013: 15; Veriava and Naidoo 2013). Moreover, "most of the other 'new' social movements organizations formed a distinct cluster, defined by their ideological opposition to 'neoliberalism' and with more explicit ambitions of mass mobilization and organization" (Seekings and Nattrass 2015: 243). Generally, the protests focus on service delivery, such as access to water and electricity, land and housing, with the overall desire to address the larger issues of poverty and inequality in South African society (Ballard et al. 2005: 623–624).

These social movements are active across the popular and working class with intellectual support, which is an interesting indication that South African citizens from different classes are organising themselves in the social movements (Ballard et al. 2005). There is thus a class overlap, but it is still relevant to emphasise the possible counter-hegemonic forces that are partly supported by the poor urban fraction. One of these forces is the Anti-Privatisation Forum (APF) that was established in July 2000 as a result of socio-economic developments and privatisation plans by the local and national government. Leftist activists dissatisfied with the policies and adoption of GEAR have been involved within the tripartite alliance, and young left activists outside the alliance are looking for firm ground on which to base their struggle. Another group were activist workers in their communities (Buhlungu 2006: 70–71), the majority of whom are workers and unemployed suffering from privatisation in daily life. The APF, mainly based in Johannesburg with additional branches in Cape Town (Sadie 2006: 226), therefore organised marches, for instance, against electricity prepaid meters in Soweto in 2003. Buhlungu (2006: 69) argues that the APF was more than just a so-called ultra-left movement, because it can be seen as an independent mobilisation with roots in the apartheid era. Although the African National Congress was an important driver in the liberation struggle, other movements also played an important role, and therefore independent mobilisation is still a useful tactic to address issues not yet covered (Buhlungu 2006: 68–69). It is important for the analysis of class relations to note that independent mobilisation presents a challenge for the ruling party, because it does occur on a regular basis. As these mobilisations take place spontaneous and sporadic, the power bloc therefore cannot plan a response. Spontaneous organisation of the urban poor in combination with the working class in groups like the APF does not overthrow or radically contest the power bloc, but for a long time APF does disturb the business-as-usual atmosphere by challenging the hegemony of the ruling party. Due to the fact that the state is unable to address high unemployment, inequality and poverty, protests should no longer be seen as little interruption of the daily political and economic life. The tensions in society rise and it might be a question of time the power bloc will be challenged by the popular classes in South Africa.

Due to various forms of dissatisfaction in the political landscape, the left began to build an alternative. In 2011, a conference[4] of the democratic left took place. The conference was the start of bringing street traders, academics, community workers, the poor and the unemployed together for political change against neoliberal politics. This group is a different popular class from the working class, but due to the active involvement of intellectuals among the subalterns, the class positions in this group are also different. This difference in class positions of conference participants also showed the various perspectives and opinions held by the left (Knapp 2011: 1) In the end, the conference launched the Democratic Left Front, which is currently struggling to find a position from which to effectively challenge the power bloc with more than words and demonstrations (Democratic Left Front 2011).

Apart from the aforementioned reasons for social movements, the identification of their position in the condensation of the relationship of forces provides more information about their class position and connection to other fractions within the exploited class. The connection between the ruling class and the popular class is influenced by non-communication as well as by a lack of understanding of the problems of the South African poor. The popular classes are therefore also divided into various fractions: working class representatives, issue-based activism, the unemployed and community members. In recent strikes and protests, there "was no attempt to build alliances between striking workers and poor communities" (Pillay 2011: 39). A similar observation has been made in the community protests between the leading activists and ordinary participants. Most of the activists were connected to broader socialist perspectives and connected these local struggles with the broader demands against capitalism (Seekings and Nattrass 2015: 242–243). The question of black and white is particularly present among trade union federations, but on the grass roots level the common ground is not race but class positions and interests. It is nevertheless mainly blacks that are still affected by precarious employment and living conditions.

Only a limited number of popular classes are involved in direct debate and agenda setting in the field of trade policy. The Trade Strategy Group (TSG) is consulted in parliament hearings as well as in Department of Trade and Industry (DTI) consultations. This group is a forum to debate and discuss trade and development issues as well as to react to trade policy ideas and implementation on a national, regional and global scale. Members range from non-governmental organisations (research institutes like the Alternative Information and Development Centre) to labour and civic organisations or church-based organisations like the Economic Justice Network (PMG 2010). The TSG informs and lobbies the South African government and plays "an instrumental role in building capacity, raising awareness and developing positions for civil society organisations for the WTO meetings" (McKinley 2011). The TSG also gives input in parliamentary debates on the Trade Policy and Strategy Framework and supports the state intervention plan, while also demanding conditions for business, such as employment creation, in order to receive support from the state (Parliament of South Africa 2010: 1493). The popular classes have therefore introduced an issue-based coalition in collaboration with other class fractions, like intellectuals on trade, in order to influence policy debates. The TSG relies on individual participation in debates, but has also been involved in global trade campaigns against Economic Partnerships Agreements and other WTO-related initiatives. Table 6.1 illustrates the

Table 6.1 South African popular classes

Popular classes	*Fraction*	*Collaboration*	*Trade interests*
Working class	Core, skilled, union-member fraction Non-core, semi/non-skilled/non-union members Poor working class Marginalised working class	Represented by umbrella trade union organisations: COSATU, FEDUSA, NACTU Issue-based activist, Urban/rural poor	Protecting jobs Better living conditions
Popular classes	Class of the poor Unemployed class fraction Urban/rural poor class fractions	Intellectuals Working class Social movements	Organised intellectual individuals related to the social movements, e.g. stopping trade agreements like EPAs

South African popular classes and their fractions in general and shows their major coalition partners. It is distinguished between the working class fractions and further popular class fractions. The working class is defined through its position in the capitalist mode of production and represented by a trade union organisation. Economic and trade policy addresses the interests of the workers in the core who are union members, as the federations have access to the public space of discussion.

The popular class is defined through their non-formal activity in the capitalist relations, as they are poor and unemployed. Moreover, the urban poor are rather building alliances for achieving a better life than the rural poor. While the majority of workers are represented through COSATU in government debates, the voice of the poor is represented by intellectuals in trade policy, for instance, through the Trade Strategy Group.

Notes

1. This number is taken from the FEDUSA homepage. Ludwig (2017: 212) presents a lower number of 450,000.
2. According to Hyman (2001), trade unions can be located within a triangle of market, class and society, with each feature representing different trade union orientations.
3. For more details, see Sinclair (2005).
4. I attended this conference and was partly involved in the debates. In the conference, various left perspectives were represented. Internal differences on the left were discussed much more than a joint alternative to the current order. This phenomenon is representative of various left groups around the globe. The socio-economic status of the participants ranged from rather poor activists to middle class scholars.

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CHAPTER 7

South Africa's Economic State Apparatuses

The South African state has an institutional state apparatus in the form of ministries, parliament and an institutionalised "social dialogue" divided between economic, repressive and ideological apparatuses. They have relative autonomy from the state and the ruling class (Poulantzas 1973: 47). Within this system of apparatuses and their branches, civil servants and state personnel play a role in the condensation of the relationship of forces. The state personnel have different class positions and various levels of interest. Independent from their class origin, the state personnel are present in the class struggle (Poulantzas 2000 [1978]: 154–155). In the South African case, some are only focused on the protection of the position itself: "Public sector workers often gave the impression that they were only interested in their own narrow wage and working conditions, and care little about building broader working-class unity" (Pillay 2011: 39). Building coalitions with the working class is not important, because state personnel do not identify themselves with this class. They are state managers and administrators behind the state apparatus system and can be located in the new black middle class. They are also part of the "party-state bourgeoisie" that profit from their position in the party or state (Southall 2016: 72, 126). In order to secure the party interests within the state "the public servants are often prized more for their obedience that for their qualifications and competence" (Southall 2016: 127). Young civil servants at the municipal level have replaced well-skilled civil servants, because

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there is less resistance in aligning them with the system of corruption (Butler 2010: 168).

The economic ministry positions were long time in the hands of whites, while blacks have to justify their knowledge while whites and Indians have the trust of business and the public. Similar observations can be made in the appointment of managers in the parastatals (Butler 2010: 178–179). Nowadays, whites still have a structural advantage also in the relation to the state apparatus and the bourgeoisie, but the South African black political elite and capitalists have also become closely interconnected. Different dominant ideologies in the state apparatus therefore have an impact on national and international policy decisions. Similar to understanding the state as a condensation of the relationship of forces, each apparatus also has its own relationship of forces and different class interests and allies among the power bloc.

The Presidency and National Treasury

The main powerhouse in the state apparatus is the presidency. Formally, it consisted of the Head of State and the Deputy President, but two further ministers are currently located in the presidency: the minister of the National Planning Commission and the minister of Performance, Monitoring and Evaluation. Three major units are important within the presidency: the Cabinet Office, Policy Coordination and Advisory Services (PCAS) and legal advice (The Presidency n.d.). In the first years of democracy, Mandela only had a small staff. Under Mbeki and later Zuma, the number of staff and the number of additional ministers for national projects as well as the style of ruling the country changed significantly. The presidency has several advisors who were crucial for access to information as well as to the president (Calland 2006: 15–41). President Mbeki was strongly involved in foreign policy issues, travelled a lot and used international affairs strategically. In support of Bolivian President Evo Morales, he enforced a bilateral agreement between South African and Bolivia (Calland 2006: 28–29), but in more general trade policy issues, the presidency is not so actively involved. In general, the presidency is highly dependent on the personality of the president as well as on a top high-level team. Whereas Mbeki was a strategic foreign policy maker, under Zuma the focus shifted to national development issues. In the field of trade policy, the Zuma presidency continued to address similar issues as the Mbeki presidency. In practice, the presidency coordinates trade policy within the cluster of economics and investment as well as international relations, peace and security. The latter also covers trade negotiations (Draper et al. 2010: 264). Concrete presidential positions regarding trade policy direction are instead included in foreign policy strategy as well as in overall economic development perspectives. Because of the Medium-Term Strategic Framework, regional integration issues regarding SADC and SACU have been particularly highlighted since 2009; there should be a developmental agenda for Economic Partnership Agreement (EPA) that is used for the review of the trade chapter in the TDCA (Landsberg 2012: 89–92; The Presidency 2009a: 35–36). Overall, the presidency has some room to manoeuvre, but the implementation of policy remains limited, particularly regarding South-South cooperation because of "the factionalism within the ruling alliance as well as tensions in government" (Landsberg 2012: 92). More recently, President Zuma has involved himself in economic and trade deals. The nuclear deal with Russia was personally discussed with his Russian counterpart, Putin, at the BRICS summit in 2014. As a result, an intergovernmental agreement was negotiated that is the basis for building a new power plant with Russian reactors. The National Planning Commission, as part of the presidency, warned against further nuclear power projects, and most ANC ministers (even the National Treasury) did not know about the deal before the public announcement (Southall 2015: 7). These developments demonstrate the power of the presidency to make deals that benefit a small unknown group.

The National Treasury is a strong partner of the presidency, which over the last two decades had an extraordinary position within the South African state apparatus and was crucial for every policy decision within other state apparatuses. In the debate about state institutions and ministries, the National Treasury is therefore a "government within government" (Calland 2006: 9, 55). There are several reasons for this strength. It firstly stems from responsibilities, and secondly from the role in technical and procedural processes regarding the national budget. In the beginning of building a new state bureaucracy and system, personal relationships were crucial. Therefore, the personal and structural support of Finance Minister Trevor Manuel by former President Mbeki is the third reason for the extraordinary power of the National Treasury. Manuel as an individual is still one of the most powerful politicians today. His position as minister within the presidency has made him responsible for developing the National Development Plan since 2009 (Seekings 2007: 5; Calland 2006: 55–56). During the Mbeki presidency, Manuel relied on Mbeki in economic policy matters, and the strong relationship between Mbeki and Manuel influenced the relationship between the executive and legislation branches. In some cases, other institutions like the parliamentary committee on finance were invited as external experts or to ask critical questions, which resulted in a presidential reprimand of the committee members (Calland 2006: 58–59). This intervention in parliament occurred relatively often, and therefore the actions of the National Treasury showed the effect of personal interaction and its impact on state apparatuses beyond just one apparatus.

In practice, the National Treasury not only controls the national budget, but it also agrees on the ministry budget and spending. The finance minister joined all the ministerial cluster committees to be alerted to any budget changes, and all other ministries became aware that they could not decide any policy programme without the consultation of the National Treasury. In this regard, the National Treasury also has a huge impact on the ideological alignment of budget spending, as cabinet colleagues have to justify their spending to the treasury. Decisions on budget cutting are also based on economic policy orientation and ideological ideas. The National Treasury has shown its liberal perspective towards global and national economies, particularly with the 1996 class project GEAR. At the beginning of the Zuma administration in 2009, the power of the treasury was continuously downgraded. Zuma followed the idea that the National Treasury should become a "normal" department, and in so doing the finance minister was not allowed to join all ministerial clusters as before (The Presidency 2009b). The ideological powerhouse of the National Treasury was thus challenged as Zuma made it clear that budget cuts should not take place in public sector pay or social grants. It is clear that changes in the position of the National Treasury are not without disadvantages for future economic development (Butler 2010: 176–177; Butler 2009; Vavi 2008b), and supporters of a strong National Treasury have articulated these concerns.

The structure within the National Treasury symbolises the strong leadership focus of the president and therefore the state personnel and technocrats who work on specific issues and only have power "because the Minister of Finance (and, ultimately, the President) chooses to give it to them" (Seekings 2007: 6). The architects behind the policy programmes are various state personnel who might not be resistant to redistributive policy, but if the leadership supports orthodox fiscal policy, the internal structures and hierarchies would therefore become more important.

For the overall argument, this means that their own class position within the state apparatus is less relevant than that of the ruling class, and hence the "Treasury and the power of capital in the state remain dominant" (Vavi 2008a). Even Zuma's goal to transform it does not seem sufficient to destabilise the importance of the National Treasury. However, with the dismissal of Finance Minister Nene, to the appointment of van Rooyen, to the reappointment of the previous Finance Minister Gordhan within one week in December 2015, Zuma interfered unexpected in the ministry (England 2015; Donnelly 2015). However, this development continued with another reshuffle in March 2017 as Finance Minister Gordhan was substituted with Malusi Gigaba, who is a supporter of Zuma (Pather 2017). Immediately, the market responded with junk status rankings and devaluation of the Rand (The Economist 2017). With the removal of Gordhan, also other top-state manager left the National Treasury, for instance, Lungisa Fuzile—the Director General—resigned and Dondo Mogajane replaced her. The main task for all of them will be to address the economic recession (Bonorchis 2017; Roussow 2017).

The National Treasury engages in trade policy debates about linkages between debt and trade, current account deficit and international currency alignment. However, in comparison to the national impact the National Treasury has, it lacks the capacity to become a key player in trade policy (Draper et al. 2010: 263–264). However, it remains strong on a macroeconomic level when announcing the overall South African growth strategy. While trade has a central role within this strategy, the National Treasury has a limited role in shaping trade policy details (Rashad 2007: 19), because it is only responsible for the broader macroeconomic framework.

Department of Trade and Industry and Further Relevant Departments

In the early phase of democracy, the Department of Trade and Industry (DTI) under Alec Erwin was a strong partner of the presidency and the National Treasury. On the one hand, personal ties among Mbeki, Manuel and Erwin played an important role as it did with the National Treasury. These three leaders have a long common personal history with similar ideological perspectives and have "used their powerful positions to ram through business-friendly policies" (Seekings 2007: 10). While the National Treasury framed the 1996 class project GEAR, the DTI under

Erwin supported economic policy plans and strategy of trade liberalisation for growth and job creation (Nattrass and Seekings 2010: 43). The state apparatus, in this case the DTI, made policy direction decisions at the top, but important civil servants also shaped the policy process. In terms of state and skill capacity, the technical and administrative level was nevertheless weak in the 1990s (Bond 2003: 88), in particular with regard to trade negotiations.

Aside from trade issues, the DTI also focused on industrial development with a proactive industrial policy in the 1990s and a shift to a more developmental approach. In the mid-2000s, Asian success stories resulted in increased relevance of the debate on a developmental state. The liberal political outlook of the DTI, however, shifted steadily in a different direction leading to the 2007 proposal of the Industrial Policy Action Plan. The major reason for the policy shift was leadership changes within the DTI from Erwin over Mandisi Mpahlwa to Rob Davies. The personal network lost its influence, while global changes like the financial crisis were providing new opportunities for developing different practices. In the last decade, policy shifted to more state involvement and investments in trade as well as industrial development. The election of Zuma, which was highly questioned by Erwin (Quintal 2007), provided the possibility of a more state-centred development path. Another important step for challenging the treasury was the implementation of the Economic Development Department (EDD) with Minister Ebrahim Patel in 2009. "These two departments are clearly at odds with more conservative bureaucrats in the Treasury, which has constrained their more heterodox economic perspective with a macroeconomic strait-jacket" (Pillay 2011: 42). Ndletyana shows the connection between the EDD and the working class in the case of the Walmart-Massmart merger. While working class representatives strongly criticised the merger in order to secure jobs, National Treasury Minister Pravin Gordhan was supportive of Walmart. The EDD took the side of the already employed workers (Ndletyana 2013: 57–58). The DTI and the EDD were seen as allies of the working class. COSATU and SACP feared that the EDD's voice would be silenced through the National Treasury as EDD Minister Patel belongs to the left wing in cabinet (Plaut 2012: 65–66). In the area of trade policy, the role of the EDD is uncertain because it is a new department. According to Draper et al., Patel will "imply an interventionist industrial policy approach" (2010: 265), especially because of his scepticism about trade liberalisation. However, the growth targets and creation of unemployment of the new Growth Path have not been successful as the current economic status indicates.

From the beginning of the new government, the DTI played a prominent role in international trade and economic relations, particularly in the restructuring phase of the Department of Foreign Affairs in the mid-1990s. This prominent role continued even after Erwin left the department and the DTI guided the economic relations of foreign policy under the Zuma administration. The decision to create the DTI as the lead department in international trade negotiations has generally been very successful for the South African state (Masters 2012: 30; Draper et al. 2010: 261), partly by strengthening negotiator capacities and institutional knowledge through continuous participation in the various negotiations. In the international sphere, this provides a state in the global South with tools to challenge their negotiation partners and to bring their demands on the table.

In becoming such a negotiation agency (Hartzenberg 2003: 7, 9), the DTI is supported by three important institutions: Trade and Investment South Africa (TISA), an investment-promoting agency to attract foreign direct investment and strengthen export capacity (DTI n.d.-a); the ITAC (International Trade Administration Commission), which gives advice to the DTI and also to the EDD (ITAC n.d.); and the International Trade and Economic Development Division (ITED) (DTI n.d.-b), which focuses on international trade development and African economic development (Hartzenberg 2003: 7).

In addition to economic departments, the Department of International Relations and Cooperation (DIRCO) (formerly the Department of Foreign Affairs) focuses on "promoting South Africa's national interests and values, the African Renaissance and the creation of a better world for all" (DIRCO 2013). The role and importance of the DIRCO differed in phases. While under Mandela the focus was on restructuring the previous Department of Foreign Affairs, under Nkosazana Dlamini-Zuma, leadership was centralised in the form of ministerial diplomacy with the main focus on relations with Africa. Some director generals, like Sipho Pityana, followed the idea that Mbeki as president was responsible for foreign affairs, and the ministry was rather peripherally involved in the negotiations of the New Economic Partnership for African Development and African Renaissance. Therefore, the main focus of international relations was the restructure of the African Union (Masters 2012: 27–29). The DIRCO also has a role in the field of trade policy in keeping diplomatic ties to partners beyond trade, although its impact is limited on technical issues. They are the advisors of the DTI negotiators from a foreign policy perspective, and while DTI civil servants negotiate on behalf of South Africa, the DIRCO keeps an eye on political relations and is a manifestation of political will for trade agreements (Draper et al. 2010: 262).

Thematically focused departments are also important for shaping trade policy, in particular for the Economic Partnership Agreement (EPA). One important state apparatus in this regard is the Department of Agriculture, Forestry and Fisheries (DAFF). Information about its role in trade policy is limited, but it is an important actor on questions of tariffs and quotas as well as the challenge of opening the agricultural market to foreign products (Draper et al. 2010: 262–263). Until the end of the 1990s, it even had its own representative in Geneva, but it is currently represented by the DTI. The DAFF is one of the best-organised departments in terms of its policy and consultation mechanism on agricultural trade between department officials and industry representatives (Rashad 2007: 19). The Department of Justice and Constitutional Development is consulted in the process of drafting legal texts as well as reviewing the texts in relation to the constitution in trade negotiations (Hartzenberg 2003: 12, 7, Draper 2007: 247). While other apparatuses are only considered specifically in one competence field, in trade negotiations the DTI is involved in all aspects of trade policy and agreements for planning and negotiation from trade in goods and services to deep integration. It is therefore the dominant fraction within the setting of state apparatuses in the field of trade policy.

Parliament and NEDLAC

Within the state apparatus, parliament is also an important arena for debates on trade policy. The Portfolio Committee on Trade and Industry, together with other committees, organises briefings and hearings on trade issues that are not only important for the members of parliament but are also an opportunity for other stakeholders to lobby for their interests in the form of presentations and written input.[1] According to the South African constitution, the National Assembly and National Council of Provinces have to ratify international agreements, but only the president has the power to sign an agreement into law. Parliament has supported negotiated agreements, but does not have the authority to reject them (Draper et al. 2010: 265; RSA 1996: Section 231). The National Economic Development and Labour Council[2] is not technically a state apparatus, but it works as a platform for social dialogue and is thus a possible platform for the capitalist and working classes to articulate their interests. Since 1995, the government has used this institutionalised dialogue to debate questions of social and economic policy for generating a class consensus on single policy issues with business and trade unions. The main task of NEDLAC is to negotiate issues and advise the government (Sadie 2006: 219), but the final decision-making process remains in the hands of the government. Within NEDLAC, thematic chambers (Public Finance and Monetary Policy Chamber, Trade and Industry Chamber, Labour Market Chamber and the Development Chamber) provide the discussion platform for government, business and labour. Of the state apparatuses, the Department of Labour, Trade and Industry, the National Treasury and Public Works are the main ministries in the councils. Others are only involved if a law or policy programme is in their area of responsibility. The trade unions in particular have a strong voice for their clientele in the council and use their position to secure the labour force. In contrast, business participates in the meetings but has learned that informal negotiations with ministries are much more successful in addressing their demands than formalised social dialogue (Nattrass and Seekings 2010: 43). Over the last decades, it seems that NEDLAC has lost its power, because the government only sends junior officials to negotiations within the council (Sadie 2006: 220). The constellation of labour, business and government has been criticised because important actors, like social movements, communities and non-governmental organisations, have no permanent seat in the social dialogue institution (Houston 2001: 141, 143).

While the controversial issues of GEAR and trade liberalisation in the 1990s were not discussed in NEDLAC (Nattrass and Seekins 2010: 42–43), the procedure for the Trade Policy Strategy Framework (TPSF) has changed to include stakeholder involvement, in contrast to the top-down GEAR strategy. This shows that there are different modes of participation as well as ways of developing consensus among the relationship of forces. GEAR was developed with a limited number of professionals, mainly economists, in "somewhat secretive conditions" (Gelb cited in Marais 2001: 162) under the leadership of former Finance Minister Manuel[3] (Bond 2005: 83). Neither other ministers nor the tripartite alliance were involved in this procedure or decision-making, and although the debate about the procedure was very intense, Manuel did not agree on any changes (Hirsch A. 2005: 101). GEAR as an elite pact was defined as the implementation of an American neoliberal model (Terreblanche 2012: 65).

The minister of the Department of Trade and Industry, Mpahlwa[4] and later Davies,[5] implemented several consultation rounds from 2007 to 2010 to achieve a national trade policy programme. In addition to an internal group of state personnel from various state apparatuses, the Trade Policy Review Group (TPRG) were consulted and debated with business organisations, trade experts and think tanks. Some of these people were also members of the TPRG. This shift in the strategy shows a different way of consensus building in policy decision-making, because more classes and class interests were involved, resulting in a common class consensus on most trade questions (DTI 2010). On the other hand, this process also revealed a change in policy language from neoliberal to protectionism.

All in all, NEDLAC is relevant for trade policy debates as well as for their counterpart, the trade and industry committee in parliament. NEDLAC is also active in trade negotiations (Draper et al. 2010: 268), which means that NEDLAC, in contrast to parliament, has many more possibilities to discuss matters of trade policy. However, NEDLAC decisions are not binding for the South African government.

Beyond the State Apparatus: Trade Policy-Related Organisations

In the context of South African trade policy, trade-related organisations support the setting of the state apparatus. In the policy making process, those organisations are consulted and funded by the state apparatuses or foreign capital. They have the opportunity to give their input on specific trade issues. Three of such organisations have a close relationship with the capitalist classes and the political elite: the South African Institute of International Affairs (SAIIA), the Trade and Law Centre (tralac) and Trade and Industrial Policy Strategies (TIPS). SAIIA and tralac are formally public benefit organisations and TIPS has been a non-profit company since 2001. In this analysis, all have very strong links to capitalist interests, in particular with foreign capital.

Tralac focuses on research and involvement in training and participation in policy dialogue in South Africa and in the region. One main target is to build skills and capacity in trade, for which tralac works with several national and international organisations like the WTO, SADC, the World Bank, the SAIIA, TIPS and the DTI. Tralac is mainly donor-funded and was established through the financial support of the Swiss State Secretariat for Economic Affairs (Tralac n.d.-a; Draper et al. 2010: 273–274). They are additionally recognised by capitalist classes in eastern and southern Africa (SAANA Consulting 2014) and work closely with regional governments (Draper et al. 2010: 274). Tralac engages in national and regional debates on trade and monitors (South) Africa's trade relations with their partners (Tralac n.d.-b). The focus is on South Africa, but also on SADC and SACU. With a rather political and legal view Tralac provides briefings to parliament and tralac researchers have emphasised that South Africa needs a liberal trade strategy. In doing so, traditional trade in goods is not enough to address the current global economy. Tralac suggests that it is important to focus more on trade in services, creating a good business environment and supporting innovation (Hartzenberg 2009, 2013). This perspective indicates that the liberal and export-oriented capital fractions as well as the political elite in South Africa and region can gain from this expertise.

Before TIPS became a non-profit company, it was a Canadian-funded project in the International Development Research Centre (IDRC).[6] Alongside the DTI, the IDRC is therefore a core funder. In 2010, TIPS received more than 46 million Rand for expenditures (TIPS 2011: 37). The annual report highlights not only government and partner interest in cooperation but also in business (TIPS 2011: 6). Aside from indirect involvement in trade policy, TIPS had been actively involved in the EU–SADC EPA (Draper et al. 2010: 271). Similar to tralac, TIPS has also been presenting general research papers on trade policy and briefs to government and parliament as well as offering workshops. Their focus is not only on trade policy but also on inequality and growth. TIPS engages in presentations to and discussions with parliament trade and industry committees to show that they place more emphasis on the regional than the global value chain in order to support domestic production, in particular in manufacturing (Levin 2013 in PMG 2013: 6). Therefore, TIPS addresses issues that are interesting for regional-oriented capital and the (African) comprador bourgeoisie.

While tralac and TIPS are young organisations, the SAIIA was founded in 1934 in Cape Town by a group of politicians, academics and editors. The SAIIA currently focuses on questions of governance, foreign policy, economic diplomacy and emerging powers. In 2010, it was the top think tank in sub-Saharan Africa (SAIIA 2012a). In contrast to the other two organisations, the SAIIA is membership-based with various forms of membership including corporate, diplomatic, institutional and individual. Membership fees range from 135 Rand (students) up to 151,600 Rand for a corporate platinum membership. The corporate, diplomatic and institutional membership includes informal access as well as formal consultations by SAIIA members. In 2006, the SAIIA received more than 1.4 million Rand through membership fees (SAIIA 2007: 43)[7] but has additional international and national funders. Research is funded by the mining- and banking-related foundations and institutions like SASOL, Anglo Platinum, Oppenheimer Memorial Trust, ABSA or First Rand Association (SAIIA 2012b, 2017). This demonstrates that SAIIA is financially connected to the mining and banking capital. There is a strong research focus on economic diplomacy[8] through research papers, trade policy forums, experts and consultations on various economic and trade issues such as barriers to trade or regional deep integration issues (SAIIA 2014, SAIIA Economic Diplomacy Programme 2010). In general, they emphasise that South Africa should make its

> economy attractive to the multinational corporations (MNCs) or Transnational Corporations (TNCs) if it wanted them to invest in the country. […] To be a player in the global trade, one had to find accommodation with the TNCs. (Draper in PMG 2013: 3)

Similar to tralac, the SAIIA aims at increasing the focus on trade in services, arguing that trade negotiations with the USA and the EU are important for the South African economy to be competitive. Overall, they do policy advise and they represent a rather liberal position on trade issues, arguing for a more far-reaching liberalisation process. This indicates that they are linked with foreign capital as well as the comprador bourgeoisie in South Africa. Interestingly, state personnel perceive state-related institutions like the SAIIA as rather conservative "free-trade economics, [who] would be pushing for an EPA" (interview with civil servant 2, Pretoria, 05.10.2010).

The SAIIA, TIPS and tralac maintain close relationships and complement each other in their research activities. All of them give expertise in parliament sessions and are consulted by the DTI in drafting the Trade Policy Strategy Framework. They not only work closely with the state apparatuses but also with business in the field of trade policy. These three trade-related organisations influence the debate on trade policy in public and in the academic arena, but with limited theoretical references. They thus support the state apparatus with knowledge and opportunity to organise hegemony on trade policy and are linked to business.

Summary: South Africa's Constellation of the Relationship of Forces

South Africa is mainly in the hands of foreign (English) capital, and through its interconnection, it is the hegemonic class as "it represents the interests of the alliance of capitalist class forces" (Malikane 2016: 171). Within this system, mining and finance capital are crucial actors in shaping the bourgeoisie and are both highly dependent on and interrelated with foreign capital. In practice, the distinction is more fluid, as mining and finance capital are also parts of the national bourgeoisie, in particular in the form of BEE deals and in that they incorporate parts of the working class through union representatives. Most black capitalist/black-owned businesses have rather small- and medium-sized enterprises and are involved in supporting national economic development. Nevertheless, especially at the top ANC level in terms of business deals, the comprador relationship with foreign counterparts creates several political problems for South African society and the economy. Even parts of the manufacturing class in the MEC system depend on foreign capital and support the comprador bourgeoisie; all other fractions in manufacturing are either national or internal bourgeoisie. With the exception of automobile and manufacturing class fractions, most manufacturing capitalist fractions are active in the MEC. They support national economic development, but also a connection to foreign capital. The MEC manufacturing class therefore has a national focus and foreign capital from the mineral-capital nexus. As an example, former South African companies like Anglo-American formally left South Africa and openly showed their connection to the comprador bourgeoisie. ANC leadership allowed this in the hope of establishing a closer relationship with the comprador bourgeoisie. The overlap between the comprador bourgeoisie and interior bourgeoisie with several class contradictions has resulted in a complex structure of the dominant classes. Within this setting, the ANC as political elite are relevant partners of those capitalist classes. The ANC exile fraction has more links to foreign capital, while the non-exile fraction has more connections to national capital.

In the South African case, there are not only contradictions related to class but also contradictions in the context of black- and white-owned businesses. Overall, there is no difference among the capitalist classes based on race, but at some points within the capitalist mode of production, race might in practice be inscribed into the class fraction positions. The split between BUSA and BBC evidences this. However, in the South

African case, the argument is that, from a class perspective, race issues also symbolise conflicts among big and small-medium capital. Due to historical heritage, big capital has always been in white hands (English and Afrikaner), and only a few black capitalists belong to this circle. Black-owned business currently receives much more structural support from the state apparatus as well as from the political elite. The ANC Business Forum is used mainly by a few top black capitalists or by big companies aiming to sustain a good relationship with the power bloc.

ANC leadership is part of the ruling class and consists of African nationalist and class-based Marxist/democratic socialist fractions, in addition to the ANC exile fraction. The class-based Marxist fraction traditionally has a relationship with the labour movement and focuses on the contradiction between capital and labour. In general, the ANC elite supports black-owned business and the new black middle class. In this well-established power bloc, the DA opposition party has some possibilities to challenge the balance of power in the political party system, but is not able to fundamentally change the power bloc. The containing strategy by the political elite, business, working class representative party SACP and trade union federation COSATU have supported and stabilised the power bloc. The SACP and COSATU leadership fractions are part of the power bloc, while the class-based Marxist fractions represent the workers. The working class is distinguished between core/skilled, non-core/semi- and non-skilled and marginalised fractions. Some are organised into trade unions, but overall, conflicts in the workplace are increasing. For instance, the collective strike in August 2012 at the mines in Marikana occurred without trade union initiative, which shows that the working class is taking up its own issues. Some are even organising themselves into community-based organisations that focus on issues of reproduction and are gaining support from members of other classes. In the area of trade policy, popular classes only have access to the debate via representative organisations like trade unions.

All of these actors are involved in the state apparatuses consisting of different ranks. The state apparatuses are, on the one hand, the space of policy disputes. On the other hand, they also support the dominant class, particularly in securing the interests of the dominant bourgeoisie. Within the state apparatus, the National Treasury is the dominant fraction with the most influence on other state apparatuses related to trade policy making. However, the DTI organises trade policy and trade negotiations. Figure 7.1 summarises the South African class relations in the field of economic and trade policy and shows the relationships and dependencies of the classes in the relationship of forces.

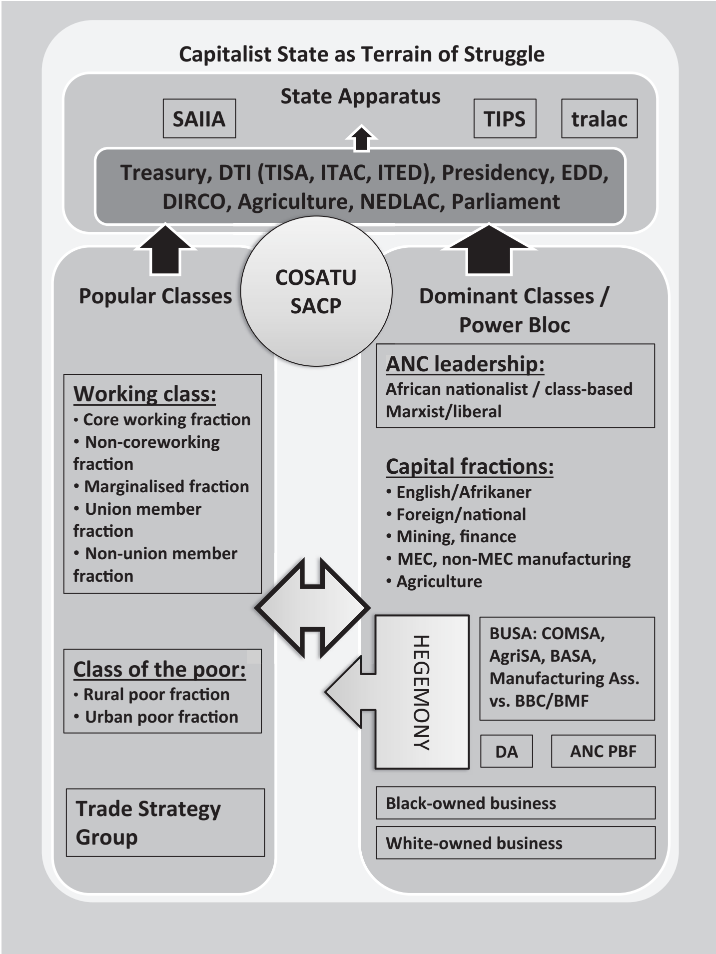

Fig. 7.1 South African class relations

Notes

1. The Parliament Monitoring Group (PMG) provides access to the minutes, presentations and records of most parliamentary meetings.
2. The section on NEDLAC draws partly on the book chapter (Claar 2017: 278).

3. Trevor Manuel was finance minister from 1996 to 2009. Since 2009 he has been a minister within the presidency and responsible for the National Development Plan (GCIS n.d.-a).
4. Mandisi Mpahlwa is the successor of Alec Erwin (DTI minister from 1996 to 2004). Mpahlwa ran the DTI from 2004 to 2009 (GCIS n.d.-b).
5. Rob Davies has led the Department of Trade and Industry since 2009 and was previously a delegate in various bilateral and multilateral discussions as well as a deputy minister of trade and industry from 2004 to 2009 (DTI n.d.-c).
6. The IDRC is funded by the Canadian parliament (IDRC n.d.).
7. In later annual reports, income is not differentiated regarding membership income.
8. During my main field research, I was based in the SAIIA's economic diplomacy programme with insight into their activity field and operations. This might also create some imbalances in the contextualisation because I know much more about the SAIIA than tralac and TIPS through direct personal observation and participation.

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PART III

Reconstructing the Process: South Africa's Classes and the Economic Partnership Agreement

CHAPTER 8

The EU–SADC EPA: Road Map and Conflicts (2006–2010)

Due to colonialism, the members of the European Union have a long relationship with the African, Caribbean and Pacific (ACP) states, and they established the Lomé agreement in the 1970s. This agreement had a strong emphasis on partnership and constituted a non-reciprocal agreement for exports from ACP markets. The ACP states did not have to open their markets to a similar extent as the European Community (later the European Union) members. This agreement was heralded as a new model for North-South cooperation (Gomes 2013: 715; Spieker 2010: 54–56; Crawford 1996). However, the Lomé trade provisions were not GATT/WTO compatible because of the non-reciprocal trade. It excluded developing countries from other regions for the same treatment that should have been guaranteed under the Most Favoured Nation (MFN) clause (Grynberg 1998: 5–6). With the transition to democracy, South Africa requested to join the agreement (Weusmann 2005: 85f; Keet 1996), but the EU rejected this request. South Africa and the EU negotiated a bilateral trade agreement, the Trade Development and Cooperation Agreement (TDCA) (Hirsch 2005: 138; Weusmann 2005: 66–70; Graumans 1997), but South Africa engaged in the framework of the Lomé agreement on political and security issues (DTI 2016: 3).

As the Lomé agreement expired in 2000, the European Union and the ACP states negotiated a follow-up agreement: the Cotonou Partnership Agreement (CPA). It has three major pillars: development cooperation,

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trade and political dimensions. Besides financial support for reducing poverty, good governance principles were also included in the political dimension of the treaty (Carbone 2013: 744; Gomes 2013: 716). The economic trade cooperation in the CPA only focuses on the broader framework, as the Economic Partnership Agreement (EPA) is the trade and economic development pillar of the Cotonou Agreement (Makhan 2009: 4). It was agreed that reciprocal trade between EU member states and ACP states would be enforced. The EPA negotiations fit into the EU's Global Europe Strategy that includes liberalising tariffs, but also trade-related issues and new trade areas. The strategy also accused emerging markets of high protection against EU exports (European Commission 2006: 6–7). Based on the Global Europe Strategy, the EPAs are a shift from non-reciprocal to reciprocal trade for the economies of the global South, including issues like investment provisions, trade in services and deep integration. In addition, the EU shifted from a development to a trade focus. The Director-General of Trade, at that time Peter Mandelson, was responsible for the negotiations; he understood the EPA as a free trade agreement, while the developmental aspect was not in its scope, just as in the previous agreements (Elgström 2009: 21). The EU indicated that they would like to have completely different trade provisions than in the Lomé agreement, which granted more market access to the ACP countries than they had to provide for the EU. From the European perspective, the non-reciprocal trade preferences did not support the economic development of the ACP states (Pape 2013: 728).

Within the EPA negotiations, the EU built regional blocs of negotiations; one regional setting is the South African Development Community (SADC) EPA negotiation. Sticking with the EU–SADC EPA, only seven out of fifteen members negotiated in this setting (Woolfrey 2010: 114).[1] The idea of splitting the ACP group was created by Europe already in the Green Paper in 1996 (European Commission 1996: ix). For the Southern African region, the possibility of overlapping memberships (Jakobeit et al. 2005), for instance, in the SADC and the Common Market for Eastern and Southern Africa (COMESA), also created a division of the regional institutions within the EPA process. Some countries, like Zambia, are members of the SADC as well as COMESA,[2] and this created problems in the long run as trade and tariffs vary between those two regional institutions towards the EU.

Besides the EU–SADC EPA, the EU fostered regional development by also supporting SADC and regional cooperation institutions with more than five million euros (Brocza and Brocza 2012: 148). While this supports the structure of the SADC, the EU–SADC EPA constitution rather hampers the regional integration process because all EPAs have an impact on the planned tripartite free trade arrangement[3] for the whole Southern and Eastern African regions (Charalambous 2013). With different contents in the EU EPA agreements, the tripartite free trade zone might generate further problems in the African integration process with regards to tariffs and quotas as well as the harmonisation of policies. This means that different EPA outcomes would have an impact on the common border of the tripartite free trade agreement. A similar observation could be made for the world's oldest customs union, the Southern African Customs Union (SACU), which includes Botswana, Lesotho, Namibia, South Africa and Swaziland. If one SACU member gives access to a third party, the other members are also impacted because of the common customs border, as the bilateral TDCA showed (Meyn 2003). As a result, the regional configuration is challenged by the EU–SADC EPA talks in terms of the SACU if not all members agree on the same terms. Doing so is difficult, as the political and economic status of the states in the EU–SADC EPA negotiations differ from least developed countries, like Swaziland and Lesotho, to growing countries like Angola due to oil production and states with small markets. Besides their respective economic statuses, these states greatly differ in social inequality and socio-economic factors and have different development needs (McCarthy et al. 2007: 33–36). Thus, the regional configuration and the unequal developmental status provide a difficult starting point for negotiations with an external actor.

In the EU–SADC EPA, only Angola, Botswana, Lesotho, Mozambique, Namibia and Swaziland (McCarthy et al. 2007: 4; Woolfrey 2010: 114) negotiated with EU representatives on the agreement. The negotiations started in 2004, and in 2006 South Africa requested a status change from an observer to a formal negotiation partner. The EU only agreed in February 2007 (Lorenz-Carl 2013: 66; Draper 2007: 23; McCarthy et al. 2007: 4; Nduru 2007; Roux 2007: 5), although South Africa had the TDCA (interview with labour official 2, Johannesburg, 05.11.2010). With this change, the existing trade agreement TDCA should have been the basis for the EPA negotiations, but sensitive issues had to be considered. In addition, the EU market access offer was based on the TDCA. Interestingly, the EPA talks took place at the same time as the TDCA review (DTI 2016: 5; Davies 2008a; Woolfrey 2010: 115).

In the meeting in March 2007, the SADC group and the European Commission negotiators concluded a new SADC EPA roadmap. Besides finalising the negotiations on an interim EPA by the end of 2007 on issues of trade in goods, it was also decided that services and investment should be part of the agreement (Woolfrey 2010: 114–115). With the inclusion of South Africa in the EPA negotiations, it was assumed that the EU–SADC EPA would be concluded within the planned time frame. However, shortly after the meeting in March 2007, tensions within the SADC group occurred over market access offers as well as trade in services and deep integration issues (Woolfrey 2010: 115–116; Julian 2007a: 10–11; 2007b: 14). At the end of 2007, Botswana, Lesotho, Mozambique and Swaziland initialised an interim EPA with the EU. After the protest of the Namibian government and the commitment by the EU to negotiate some unsolved issues, Namibia did sign. South Africa, like Angola, did not sign the interim EPA, but both countries could continue trade with the EU under the TDCA (South Africa) and under the agreement entitled "Everything but Arms" (Angola) (Woolfrey 2010: 116). The South African government rejected the interim agreement due to several issues in the EPA, like trade in services and deep integration (Business Day 2008; TradeInvest South Africa 2007; Nzioki 2007; Weidlich 2008; Cronin 2007). From the South African perspective, the EU wanted to keep the SADC EPA group in the negotiations for trade in services and deep integration, although there had been many concerns not coming exclusively from the South African government (Carim 2017: 171). The interim EPA only focused on issues related to trade in goods, although it had provisions for binding the states to negotiating trade in services, investment regulations and further trade-related issues like a competition policy for a full EPA (Woolfrey 2010: 118–119). As expected, this development had a huge impact on the SACU because the member states agreed on different regulations and market access by signing the interim EPA (Woolfrey 2010: 115–119; Draper and Khumalo 2009). The decision of South Africa not to sign the EU–SADC EPA and its signing by the other SACU members created an intensive debate over the future of the SACU and contradicted South Africa's intention to join the EPA negotiations "in [the] interests of regional integration and harmonised relationship with EU" (Davies 2008b). South Africa and Namibia, as members of the SACU, did not initial the interim EPA. Consequently, the SACU was under threat of falling apart without a common tariff towards the EU due to different trade regulations. The signing EPA SADC group members followed their own interests and were highly pressured by the EU to loosen their market access if they did not sign the agreement (Carim 2017: 173, interview with trade researcher/expert 1, Pretoria, 26.01.2011).

Within the EU–SADC EPA, the MFN clause, the definition of parties and the rules of origin (RoO) were central controversial points between the negotiation partners at the time. Under the MFN clause, the EU wanted the same market access for trade in goods as any other major trade economy that might conclude an agreement with the SADC EPA group or its members. The major trade economies, which are the industrialised countries, as well as agreements with emerging markets like China, Mexico and Brazil would be affected (Woolfrey 2010: 120–121). This means that any developmental trade agreement with Southern partners would give the EU the same privileges. This is a way of securing market access via the back door because the region still negotiates South-South agreements, for example, since 2007, a preferential trade agreement with India (Davies 2013). This is relevant for the area of trade in goods and the offer of market access on both sides. Nevertheless, in the planned full EU–SADC EPA, this could also be valid for trade in services and deep integration issues (Woolfrey 2010: 121). Overall, the inclusion of the MFN clause in this form would be an advantage for European capital in the SADC EPA group region and challenge the regional and national capital classes even more.

Another controversial issue is the definition of parties in the juridical text. The EU proposed that one party would be the EU, as the representative of their member states, and the other party would be the SADC EPA group. Consequently, if the EU has a problem with one state, it has to address the whole group and not one individual state. In reality, the SADC EPA group is not a legally defined organisation like the EU and does not have an institutionalised decision-making process. In addition, only some of the SADC members are included in the EPA, and therefore it is questionable whether they can be labelled as one single party (Woolfrey 2010: 124–125). Another problem in the view of the SADC EPA group is the future EU members. Market access would also be given to new EU members, as has been done in previous trade agreements like the TDCA that received an additional protocol (Council of the European Union 2005).

Further points of conflict in the field of trade in goods are the rules of origin (RoO). The legal texts of the valid TDCA and the EU–SADC EPA cover the different forms of RoO in both the textile and the clothing sectors. In the TDCA, a two-stage transformation (Flatters 2011: 9) needs to take place. Only products completely produced in South Africa can be exported under the TDCA. For example, this means that not only must a t-shirt be produced in South Africa, but the cotton must also be South African (Woolfrey 2010: 124). In the interim EPA, only a single transformation of the product is enough to comply with the RoO. Thus, only the production has to take place in the country, and fabrics can be used from other countries (Woolfrey 2010: 124; Naumann 2008). Signing the interim EPA has already caused problems with the SACU because European goods can come through states like Botswana, Namibia, Lesotho and Swaziland into South Africa with lower tariffs in contrast to going across the South African border. In addition, the revenue of the SACU would decrease and fewer resources would be available for the member countries (Makombe 2010). This would result in different treatments, which has to be controlled. In addition, while the RoO in the textile and clothing sectors provide more opportunities for the countries with regards to the material they use, the other RoO sectors need improvement, in particular the fishery sector (Woolfrey 2010: 123–124; Naumann 2008). Another issue is the market access for agricultural products because the access in the TDCA is rather limited. South African agricultural capital would gain from further liberalisation of the EU market, while in the case of automobile components, only a limited increase would be possible (Plant 2009: 3).

As shown, the EPA covers the regulation of trade in goods as well as trade in services and investment and deep integration issues. In particular, trade in services and investment along with deep integration is major discussion point in the EU–SADC EPA.[4] In the issue of trade in services and investment, not all SADC EPA members have the same interests. Hence, the regional states act differently towards the EU.

South Africa only had an observer status under the Lomé IV, the Cotonou Agreement (CPA) and the EPA. South Africa joined the EU–SADC EPA, although it was covered by the TDCA in order to give the region one voice and to address the division and rule tactics of the EU (interview with a labour official 2, Johannesburg, 05.11.2010). According to the minister of trade and industry, South Africa joined the negotiations to support regional integration and to open the TDCA in order to get more favourable access for the South African agricultural sector (Davies 2014). Within the state apparatus, a legal expert points out that

> the agreement that we have […] under the TDCA with European Union, we have already granted a lot of access in our agricultural market. And actually, we've granted more access than the European Union granted to us. (interview with legal trade expert, Pretoria, 26.01.2011)

In the beginning, the other SADC members were afraid that the TDCA was set as the framework for the EPA negotiations because of the market access South Africa had already agreed on. If the South African negotiator had reopened the TDCA, the likelihood of the implementation of trade in services would have been high (Olympio et al. 2006: 102; Bertelsmann-Scott 2005: 128–129). With the inclusion of South Africa in the EU–SADC EPA process, the TDCA was a starting point for market access negotiations.

Besides South Africa's specific self-interest in reopening the TDCA, the representatives emphasise the need for a common regional cohesion towards the EU. Thus, the joining of South Africa has been seen as an advantage for the region. However, it also created further disputable points among the SADC EPA group and problems in adjusting the market. As shown in the process of the EU–SADC EPA, South Africa's position was in contrast to the anticipated stance against most of the EPA issues. In the end, South Africa rejected the interim EPA agreement (Lorenz-Carl 2013: 66), mainly because deep integration issues have not been discussed within the region and several regulating policies do not even exist in all the affected states. One main deep integration issue, for instance, is the fact that intellectual property has no common regulation within the SADC. Nevertheless, the issues should be regulated within the EPA between the SADC and the EU. Hence, some have argued that the SADC states need to establish a common rule (SAIIA 2009; Phiri 2008).

The South African government rejection was criticised by other SADC EPA group members and by EU representatives. During the EPA negotiations, the different interests of South Africa and its neighbours had already become visible. Although South Africa emphasises that it wishes to strengthen the region, its neighbours criticised South Africa because they perceive that South Africa's own interests are at the centre. During a further meeting in March 2009 at Swakopmund between the European Commission and the SADC, there were signs that South Africa would sign the interim EPA. There had also been voices raised calling for the exclusion of South Africa from the negotiation (Le Roux 2009). South Africa's position was not only criticised by the EU, but also by the region. In one interview with a trade expert/researcher, it was emphasised that Botswana tried to challenge South Africa within the EPA negotiations because it is highly dependent on beef exports to the EU (interview with trade researcher/expert 1, Pretoria, 26.01.2011). In contrast, some argue that Botswana did not need the EPA because it does not meet its beef quota. Without considering any implications, Botswana signed the EPA (interview with trade expert 1 and 2, Pretoria, 25.01.2011). Besides the regional criticism, the EU also saw South Africa's role as rather negative and increased the political pressure. As the former European Director-General for Trade, Peter Mandelson, stated:

> They were preventing others—much less well off than them in the region from moving forward. Bear in mind that in the absence of an EPA, South Africa's market access is protected by our existing bilateral trade and co-operation agreement. This is not the same for other countries in this region. (Mandelson 2007)

This perception shows that the EU tried to pressure the other SADC EPA members into continuing without the regional power of South Africa to retain the market access. In this setting, the former European Director-General for Trade, Mandelson, used every opportunity to increase the pressure on African states to agree on trade in services as well as deep integration issues. His tone was very straightforward, and this had an impact on the tone of the negotiations. Mandelson emphasised that every issue can be discussed for a full EPA and that the interim EPA would not be revised (Julian 2008). A slight shift in the European Commission's (EC) language took place with the introduction of Catherine Ashton as Director-General Trade Commissioner. She replaced Mandelson and used a different tone, as shown when she addressed the European Parliament in March 2008: "I have absolutely no interest whatsoever in negotiating agreements with ACP countries that make any country poorer" (Ashton 2009). This language and tone shift was also recognised in South Africa, as a business representative noted: "with the move from Mandelson, people noticed that […] the Commission was a bit more open to hearing what peoples' concerns were" (interview with a business representative, Johannesburg, 14.10.2010).

Despite the shift in the tone of the language, the European Commission still pushed for issues on the deep trade agenda in order to include development cooperation. With this, however, they were not successful, as the

SADC EPA group still saw no chance to discuss deep integration issues (Julian 2007a; Nzioki 2007). In addition, South African negotiators emphasised that they first wanted to have a harmonisation of regulations in the SACU and SADC region before agreeing on any commitments in a trade agreement (interview with civil servant 1 and 2, Pretoria, 05.10.2010). The European Commission continued to insist on binding obligations in these areas as a precursor to any binding development cooperation. This symbolises the asymmetric relationship between the EU and the SADC/SACU (Muntschick 2013).

The EU sets the negotiation agenda and the SADC EPA group has to react to those issues. The expectations and position of the SADC and EU negotiation partners thereby differ on most of the issues. Besides the different positions on global capitalism and development, the dependencies between the EU and the SADC EPA group also differ. Most of the SADC EPA group is highly dependent on the market access to the EU, while for the EU, the economies in Southern Africa are less relevant (Nzioki 2007). In addition, the experiences of pressure and oppression by the EU has resulted in even more retention: "the absence of common industrial and trade policies has partly contributed to divergent views in the region on trade policies and trade agreements such as the EU–SADC EPA" (interview with labour official 1, 29.10.2010, Cape Town). Nevertheless, the participation of the economic powerhouse of South Africa in the negotiation also results in different perspectives on the EPA within the region and the EU. Therefore, South Africa's role in the EPA negotiations supports an understanding of the dynamics underlining the stumbling blocs to trade in goods, trade in services and investment and deep integration issues.

Notes

1. Other states, like Zambia, negotiated in the COMESA EPA group, and Tanzania later shifted to the EAC EPA group (Woolfrey 2010: 114).
2. COMESA is a purely economic and trade cooperation agreement, while the SADC also has a political and security dimension in its agenda.
3. Furthermore, not only the SADC but also its counterparts COMESA and the EAC decided in 2008 to establish a joint tripartite free trade area by 2016. However, the negotiation process remains slow (Charalambous 2013).

4. The conflict potential differs from region to region, but while the Cariforum region accepted a full EPA, the SADC EPA group hesitated in including these issues.

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List of Interviews

Business representative, Johannesburg, 14.10.2010 (recorded)
Civil servant 1 and 2, Pretoria, 05.10.2010 (recorded)
Labour official 1, Cape Town, 29.10.2010 (recorded)
Labour official 2, Johannesburg, 05.11.2010
Legal trade expert, Pretoria, 26.01.2011 (recorded)
Trade expert 1 and 2, Pretoria, 25.01.2011 (recorded)
Trade researcher/expert 1, Pretoria, 26.01.2011 (recorded)

CHAPTER 9

Class Fraction Perspectives on the Conflicting EPA Issues

The South African government went into the negotiations freely with the support of its neighbouring governments. In addition, it has a comfortable starting point due to the running trade agreement, the TDCA. Therefore, the rejection of the interim EPA was rather a surprise and created problems for the whole EPA SADC group, as different strategies would hamper the regional integration project. Interestingly, the negotiation and the rejection took place at the same time as the political power play within the ruling party between the previous ANC, the state president Mbeki and President (at the time of writing) Zuma (Claar 2008). This political conflict had wide implications because the whole political and economic apparatus was affected, and it was unclear what policy direction would be chosen. It was expected that the policy orientation would shift to a more left-wing economic policy with an impact on trade policy as well. Overall, the focus was more on national than on international cooperation targets (Claar 2008). Therefore, the relationship of forces in South Africa was moving and classes and their fractions were repositioning themselves. These developments also had an influence on the EPA negotiations aside from the fact that the EU was pushing for more market access and issues of the deep trade agenda. Classes and their fractions are recaptured to understand the motives behind the decisions from a national class perspective.

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The general atmosphere of the EPA negotiations was mixed, as the gains were seen differently. In the case of organised large capital, it was concluded that

> they [the government] want a lot more from the EPAs because they are thinking: why move? We have the TDCA. If the EPAs are exactly the same, what is the rationale for moving to them? (Interview with a business representative, Johannesburg, 14.10.2010)

In contrast to the government, the organised capitalist fractions had a different position on this matter because from their point of view the EPA would only bring a "few goodies" (interview with a business representative, Johannesburg, 14.10.2010) and not huge economic gains. This perspective might also provide hints regarding the decision to reject because the government wanted more benefits for the South African economy, which business had argued for.

Within the South African relationship of forces, organised capital was irritated that other states in the region signed the interim EPA and that they did not follow the South African government's position. At the same time, Business Unity South Africa (BUSA) saw that regional economic integration was under pressure. The split of the regional position was seen as a risk by the private sector. In particular for capitalist class fractions in the member states of the SACU, different trade agreements would affect regional capitalist classes because the management of several tariff regulations is difficult and costly (BUSA 2009). The regional counterparts of South African capitalist class fractions with an interest in the regional market made them a very dominant or even hegemonic capitalist class fraction.

It was a shock for South African capital that the regional ruling classes accepted the interim EPA: "we have lost control of the region. So that was a big wakeup call for South African business to think about the place of the region itself" (interview with former business representative, Pretoria, 27.01.2011). Politically, these capitalist classes support further regional integration projects. BUSA, as the umbrella organisation of some capital class fractions, also sees regional economic integration under pressure. In this context, the capitalist class representatives claimed: "we never expected South Africa to sign" (interview with former business representative, Pretoria, 27.01.2011). Civil society organisations have another perception of the capitalist classes. Businesses would sign a full EPA because "for them it means more business opportunities and they are basically looking after the bottom line" (interview with civil society representative 2, Cape Town, 29.10.2010). According to labour organisation COSATU, "trade policy is an essential instrument that is used to support industrialization [and should] support specific sectors" (COSATU 2010b: 57). The main intention is to create jobs to meet the full employment target, but trade agreements are more likely to cut jobs. Interestingly, working class representatives link the Department of Trade and Industry (and the National Treasury) with liberal economic views because the government still negotiates trade in services, like the General Agreement on Trade in Services (GATS), within the WTO. In addition, they also identify financial liberalisation as one reason for the economic crisis (interview with labour official 2, Johannesburg, 05.11.2010). In the context of the Economic Partnership Agreement, labour criticises the promotion of the middle class and the support of the educated, although South Africa has an army of unskilled labour (interview with labour official 2, Johannesburg, 05.11.2010). Nevertheless, the regional labour movements are more anti-EPAs than South African working class representatives. From the perspectives of the capitalist class, the working class representatives have more complaints regarding the trade agreement with the USA than the EU.

> So maybe because of the EPAs, South Africa has been able to be more assertive about not having certain things in the text, maybe that is why labour does not have that many issues with the EPAs. (Interview with a business representative, Johannesburg, 14.10.2010)

The failed US-SACU agreement had labour standards in the agreement, and labour was concerned that South African capital would move to other African locations with fewer labour standards (Draper and Soko 2004: 32).

Within the organised stop the EPA campaigns, they welcomed the decision not to sign the interim EPA:

> It was a feeling of joy for us because you will understand that South Africa is an economic powerhouse in Africa. If a country like Botswana says, or Namibia says it won't sign. It does not send that much of a tremor within the EU, but South Africa […] can say some of these things […] and get away with it because it is a big economy itself. (Interview with civil society representative 2, Cape Town, 29.10.2010)

Under those circumstances, the interim EPA rejection seems to have had the support of various classes and their fractions in the South African state. With the rejection of the EU–SADC EPA, the government and state apparatus had more time to consider the implications of the EPA issues for the South African economy and society and consolidate the perspectives on the conflicting issues. In contrast to capitalist perception and in addition to the popular class perspectives, a civil servant argued that EPAs should have benefits for business (interview with civil servant 3, Pretoria, 13.10.2010). Thus, on the one hand, parts of the state apparatus have an interest in a good relationship between the EU and South Africa and do not question the conclusion of the agreement. However, on the other hand, different civil servants from another state apparatus (the DTI in this case) have a different perspective on the issue. This perspective is mainly that "trade policy and tariff policy does not stand on its own" in the EPAs (interview with civil servant 2, Pretoria, 05.10.2010) and that it has to be seen in connection with the overall industrial policy framework. Thus, it makes sense that trade in goods is central for the South African negotiators instead of trade in services and deep integration. It is therefore not surprising for a civil servant to feel that South Africa is not negotiating the new-generation issues or services in the interim EPA (interview with civil servant 1, Pretoria, 05.10.2010). The DTI has the negotiation mandate and sees more problems within the details of technical issues in the negotiations. Hence, the perspective on the EU–SADC EPA remains differentiated within the state apparatus itself, although there are different functions.

Even if they have singular interests in the trade issues, the decision by the South African government not to sign the interim EPA is broadly supported by the involved class fractions. The reasons and expectations related to this action differ depending on the respective classes and specific trade issues. Besides an agreement on the general rejection of the interim EPA, the class positions are most likely to differ on specific issues and reflect the relationship of forces in this policy terrain.

Conflicts over Trade in Goods

Within the EPA, the classical trade in goods and market access played a central role for each party. The market access for quotas, tariffs and export taxes as well as overall regulation is already covered by the multilateral trade organisation, the WTO. Nevertheless, in bilateral or regional agreements, those issues remain important possibilities for achieving better market access as well as forms of protection, in particular for developing countries. Issues related to trade in goods are therefore also controversial in the EU–SADC EPA trade talks. Notably, different perspectives on the framework of general regulations, such as the Most Favoured Nation (MFN) clause and the definition of parties as well as the rules of origin (RoO), developed between the European Commission and South Africa in 2007. In addition, tariff regulations on agricultural products and agricultural safeguards were other points of disagreement.

In the EU–SADC EPA, there are different perspectives on the MFN clause. The EU suggested in this clause that all SADC EPA group members should give the same special treatment to a third party from a large global trading economy to the EU. The South African state apparatus negotiators rejected this form of the MFN clause because it would mean that all special treatment for partners in the global South, such as India or the regional bloc Mercosur (Mercado Común del Sur), would also be valid for the European Union: "The MFN clause would be difficult for South Africa to compete especially within the negotiations with Brazil, India, and China. What ever it offers to them the EU would also benefit from this access" (interview with a trade researcher/former civil servant, Pretoria, 07.10.2010). Furthermore, the government rejected the MFN clause because it went against their own political project to diversify their trade and investment agreements (Bursvik 2010: 286). In relation to the MFN, civil servants in the state apparatus emphasised the position that "it will depend on our principles whether we can agree or not" (interview with civil servant 1, Pretoria, 05.10.2010). Within the capitalist class fraction, the position of the state apparatus is generally supported, although their business representative does not constitute an obstacle to business interests.

> But, look, the MFN clause is currently a big deal for the government. But we cannot see why. It is a bit onerous on the South African government, because […] I think it impinges on the autonomy, to enter into trade agreements in the future, […] I do not think it has a particular business impact directly, […]. So we agree with them on that one. (Interview with a business representative, Johannesburg, 14.10.2010)

In other circumstances, business representatives argue more in support of the government position on the MFN clause. In a presentation by

Business Unity of South Africa (BUSA) at an information seminar hosted by the EU and the Trade and Law Centre (tralac), BUSA concluded that "South African business agrees that the clause (in principle) goes against the notion of parties maintaining sovereignty of their trade policy with third parties under a FTA. We call for a revisit of this provision" (BUSA 2010b: 6). The government also receives support from trade experts who say that the planned MFN clause is not the way it should work (interview with trade expert 1, Pretoria, 25.01.2011). This means that there is a more liberal capitalist class fraction that would not fear any harm, while the protectionist capitalist fraction, such as manufacturing capital in textiles and clothing, does not support this provision to secure its own market. The competition between foreign and national capital over the same market could affect the South African economy in a positive or negative way.

Interestingly, it was not only the capitalist class and the state apparatuses that articulated their disagreement on the matter, as exemplified by COSATU in a meeting with a delegation of the Committee on International Trade from the European Parliament. While the members of the state apparatus as well as the capitalist class fraction articulated their disagreement with regards to the MFN clause (even with possible revisions), COSATU called for a removal of the MFN clause from the EPA (European Parliament 2010: 3). This shows the close connection between the working class representatives and the protectionist capitalist fraction within manufacturing capital in textiles and clothing.

Although for and against perspectives on the MFN clause were articulated in the debate, the manufacturing class fraction together with the working class and the DTI was able to pursue the rejection of the MFN clause. However, given these points, the majority of the classes and their fractions have a common position on the MFN clause towards the European negotiators. Only the trade union COSATU was fully against the MFN clause. In considering their task to secure working class jobs, their argument takes in the fact that if more parties have special treatment for market access, more pressure will presumably result on the South African economy and the labour market. For instance, the pressure on local businesses could increase to reduce the number of workers or hire more part-time workers. In addition, the pressure on wages could increase to stay competitive against foreign capital.

The capitalist class fractions support the state apparatuses, and their argument stems from two possible reasons. Firstly, the dominant capital class fraction acknowledges pressure on their operating markets, while the liberally oriented fraction could not be successful with their position. Secondly, the decision to support the government on a less important theme for business provides space to push the government for its own interests on more relevant issues. In this context, the South African position should remain as one voice: “There was an attempt to maintain the integrity of the South African position because of the agreement amongst business with a lot of what government was fighting for” (interview with former business representative, Pretoria, 27.01.2011). In the matter of the MFN clause, the state apparatus and the state negotiators prevailed over the more supportive capitalist class fractions and the working class representatives and rejected the MFN clause in this form.

Similar positions are also taken by representatives of the majority of the capitalist class fractions on the matter of the definition of parties, as a business representative concluded:

> Then the definition of parties was also a problem, because the SADC EPA group is not a legally constituted group. And the EU wanted them to appear in the text like that, and it would have caused further problems for regional integration if it had continued like that. So we agreed with that issue as well. (Interview with a business representative, Johannesburg, 14.10.2010)

This shows that capitalist class fractions supported the state apparatus, in practice the state personnel, in its negotiation. In the case of the definition of parties, it is likely that the more protectionist manufacturing capitalist fraction, in particular textiles and clothing, pushed for this issue. Besides the legal constitution of the SADC EPA group, all current and prospective EU member states would also be included in the treaty. During the time of the negotiations, the inclusion of Turkey as a member of the European Union was still a more realistic option than in the second decade of the twenty-first century. In this context, Turkish textile and clothing capital would challenge the South African counterparts. However, if Turkey were already a member, the market access in this industry would likely be more protected than it is for current EU members. This would lead to problems for South African products, as the TDCA had similar problems when the EU expanded to include 27 members[1] after the ratification of the TDCA (interview with a legal trade expert, Pretoria, 26.01.2011). Hence, the textile and clothing capitalist class fraction had interests in the issue of defining parties and supported the DTI in rejecting this issue.

Similar perspectives are taken in terms of the rules of origin (RoO) that regulate the definition of a South African product. The main issue here was that the TDCA and interim EPA provisions differed in terms of the two-stage versus the one-stage transformation of a product (Flatters 2011: 9; Woolfrey 2010: 124), as the South African state apparatus wanted one regulation for all SACU members. However, their interests stemmed from the need to fix the rules of origin in order to assist clothing exports (Davies 2013: 13). With a single transformation, only the final product has to be produced in South Africa. All other material can be imported and this would provide the clothing and textile industry with more possibilities to increase their profits. The rules of origin for fish products needed regulation as well because the South African government does not have any fish agreement with the EU, although it is an important sector within agriculture (Carim 2010: 5; Draper 2007: 22). The SADC Employer Group articulated that the EPA should consider the reality of the capitalist classes in the region in the area of RoO. However, SADC exporters would benefit (Vilakazi 2008: 3; SADC Employer Group 2007[2]). Thus, the capitalist class fraction in textile and clothing and the DTI demanded similar RoO provisions for the region.

With this in mind, one major issue in the EPA negotiations in the area of trade in goods was agricultural access to the SADC/EU market and the agricultural safeguards. The TDCA was not in favour of South African agricultural products accessing the EU market. Therefore, the EPA provided the opportunity for the South African state and agricultural capital to adjust this matter. In retrospect, the deputy director-general of the International Trade and Economic Division of the DTI concluded that "we have sought to improve our own access to the EU market for our agro-food exports, given the relatively limited coverage of the TDCA in this area" (Carim 2013). Similar postulations were also made by Minister Davies himself: "the negotiations offered an opportunity to improve South Africa's exports to the EU for a more equitable exchange of preferences in our agricultural trade" (Davies 2014). The organised commercial farmer association Agri SA supported this position on more access for agricultural products in the EU market. Nonetheless, agricultural capital was highly affected by trade liberalisation within the framework of the WTO as well as the TDCA. Agri SA criticised the sector for being too liberalised and for not receiving financial support from the government (PMG 2013: 6; Alexander 2013). Hence, agricultural business had an interest in advancing its access to the EU market while hesitating to give more access to the EU (interview with a legal trade expert, Pretoria, 26.01.2011). Within the agricultural capital, there is a well-organised association in the field of export products like citrus and wine. Agricultural capital

> still have collectives in the agriculture sector […], for example, Wines of South Africa is probably the almost sole exporter to the EU of wines, but they represent 500 very small vineyards. So they have a collective way of structuring their export in the agriculture sector that you do not see in other sectors. (Interview with a former business representative, Pretoria, 27.01.2011)

Because it is well organised and takes part in policy debates, the export-oriented commercial agricultural class fraction has brought its demands to the negotiating state apparatus, the DTI. Hence, within the EPA negotiations, the commercial agricultural class fraction has an influence. While mainly white export-oriented commercial farmers as well as large nationally focused commercial farmers have a voice in the area of agricultural trade, the mainly black small-scale farmers are hardly considered in the debate. The large commercial farmers mainly produce for export and have limited competition from the EU in the local market. In terms of trade negotiations, they are able to organise due to long-term historical relationships. Their interests are in exporting more, but they also want to protect their own market. Export-oriented commercial agricultural capital was therefore supportive of rejecting the interim EPA.

This is also obvious in the conflicting issue of agricultural safeguards in the EPA negotiations. South Africa's agricultural safeguards under the WTO are mainly for agricultural products like meat, corn, fruits and vegetables, wine, pure alcohol and vegetable oils (WTO 2002: 295–302). In the EPAs, South Africa demanded

> specific agricultural safeguard that will make it easier that will work on triggers and so forth, but that they are until now totally unwilling to consider. So we are still trying. So with agriculture there seems to be a real sensitivity. (Interview with a legal trade expert, Pretoria, 26.01.2011)

The agricultural safeguards should address the volume of imports that are over a certain level and prevent damage to the region (Davies 2014). One example would be "the surge in poultry imports from the EU" (Carim 2013) that should be retroactive in the agricultural safeguards in order to protect the poultry industry. However, the state apparatus acknowledged this problem and tried to address it in the negotiations.

A civil society representative argued that the "EPA is actually a threat to our small-scale farmers because their products cannot compete with the products that will come from the EU" (interview with civil society representative 2, Cape Town, 29.10.2010). Hence, it is difficult for small non-exporting farmers to compete with the subsidised products from large EU companies. Besides the size of commercial farming, South African agriculture is "in racial terms, […] still […] a pretty white monopoly controlled agriculture" (interview with a lecturer in international relations, Johannesburg, 06.10.2010). This has hardly changed since the end of apartheid; a previous cooperative like "national clover dairies, which was formed in 1898 as a cooperative, is making that transition now to being a large corporation" (interview with a lecturer in international relations, Johannesburg, 06.10.2010). Therefore, agricultural exports stay in the hands of a few large agricultural commercial corporations.

In the field of the overall regulation of trade in goods, like the MFN clause and the definition of parties as well as specific agricultural capital demands, there is a highly overlapping position between capitalist class fractions and the negotiating state apparatus. In particular, manufacturing in clothing and textiles with protectionist perspectives and export-oriented commercial agricultural capital articulated their demands and supported the rejection of the interim EPA. Both are liberal in relation to their own expansion into the EU market but are not willing to share the South African market. Nonetheless, on all of the aforementioned issues, the capitalist fractions involved either supported the DTI or accepted the position taken. The critical voices of the working class representatives are only present in the conflicting issue of the MFN clause. Locally oriented small capital is hardly acknowledged in the debate because big capital class fractions, not only agricultural capital in terms of market access but also manufacturing for easier RoO regulations, are pushing for their interests via more exports. Hence, in general they would support a trade agreement with the EU if it provided better conditions for the capitalist fraction.

Conflicts over Trade in Services and Investment

Another major issue in the EPA negotiation was trade in services and trade in investment. Both issues are already regulated via the WTO; however, the EU put those themes on the agenda. Originally, all SADC EPA states were to agree on negotiating services and investment for a full EPA in the future. As mentioned earlier, the South African government, in contrast to their neighbouring counterparts, rejected these two issues.

In the case of services, all regulations for each sector have to be included in the EPA agreement. This, in turn, means that sectors would already know what their niches are and what needs regulation. Within the South African capitalist state, trade in services is highly controversial, not only in the case of the EPA but also regarding the multilateral trading agreement, the General Agreement on Trade in Services (GATS). The suggested EPA agreement would go beyond regulation by the GATS. Only education and health are not specifically regulated through the GATS because the South African government did not open these policy fields (Stern et al. 2011: 25) out of national interest. Therefore, within the state apparatus, the positions on trade in services differ depending on the state apparatus. DIRCO focuses on the political aspects but sees room for technical issues regarding services (interview with civil servant 3, Pretoria, 13.10.2010). The state personnel within the DTI, who have the task of negotiating, have a more nuanced view on trade in services. First of all, services could be part of the negotiation because South Africa has an open service sector. Nonetheless, the SADC had no service regulations,[3] and a member of the South African state apparatus argued that "you need to have the appropriate regulation in place before you open up" (interview with civil servant 2, Pretoria, 05.10.2010). Moreover, "South Africa's investors do not enjoy any margin of preference. […] SACU does not include services. So Standard Bank faces exactly the same constraints as HSBC and Barclays" (interview with civil servant 2, Pretoria, 05.10.2010). Another aspect is to identify the strong service sectors in South Africa and in the region in order to include them in the EPAs for protection or liberalisation. Despite a general openness, some service areas that are mainly regulated through the state, in particular social services, should not be touched (interview with civil servant 1 and 2, Pretoria, 05.10.2010). Besides the focus on regional and national matters, South Africa would only cooperate with the EU on the issue of trade in services. South Africa's state apparatus only included non-binding provisions in trade in services, as was also the case in previous trade agreements (Khumalo 2009: 158–159). All things considered, the state apparatus puts national social development interests before trade in services. Thereby, the cooperation between South Africa and the EU in trade in services is welcomed, but not more than multilateral commitments via the WTO (Khumalo 2009: 158–159). The focus is on trade in goods because "we are not part of services negotiation […], we are not including services" (interview with civil servant 1, Pretoria, 05.10.2010).

In capitalist class fractions, different positions on trade in services need to be taken into account. Interestingly, the SADC Employer Group (the regional representation group) argues that "the private sector in the SADC EPA group is on the whole not worried about keeping EU service providers out of the SADC market" (SADC Employer Group n.d.: 15). In the regional capitalist class alliance, the South African position is hardly visible in the debates or in published documents (e.g. SADC Employer Group n.d.); that also explains the positive handling of the issue by the neighbouring dominant capitalist classes and governments. However, in the South African capitalist classes, there is the service capitalist class fraction that started to invest in niche markets in the region because of the market potential (Grobbelaar 2008: 11). As Stern et al. indicate, South African service multinationals, in particular retail, telecommunications and media, are expanding in the region. Surprisingly, in finance and banking capital, only Standard Bank expanded their operations (Stern et al. 2011: 16). In terms of finance and banking capital, the SADC Employer Group argues that trade in services in the EPA will result in more capital flow and could increase competition in this sector (SADC Employer Group n.d.: 15). Nationally oriented banking capital even fears that the process of financialisation could be accelerated through the liberalisation of the service and finance sector. The South African regionally oriented capital is therefore not interested in more regulations on trade in services, in particular through a trade agreement with the EU. The focus on banking and finance probably relates back to the fact that they are organised in contrast to other service capital class fractions, for example, construction, IT and transport. There was a position on services, but service capital class hardly participates in trade discussions.

> There are no companies that really regularly send representatives. Because they don't understand the topics necessarily, they do not see them as being particularly relevant and they also probably do not have capacity to engage in policy issues within their companies. (Interview with former business representative, Pretoria, 27.01.2011)

In order to protect services in the EU–SADC EPA, their own economic advantages and niche market have to be identified. After defining their service niches, these issues could be regulated in the EPA. Hence, the capitalist class representation acknowledged the position of the government on trade in services:

> The EPA, the services section, I think a lot of people agree that the CARIFORUM[4] shot themselves in the foot by signing on to those, because

> I think there are lots of loopholes. It looks like they are not giving away too much, but they have given away a lot. So that confirms the fears of the government. (Interview with a business representative, Johannesburg, 14.10.2010)

Indirectly, the business representative articulates its support of the government position; however, "the official position within BUSA and also within an arrangement level was that we are open to a services discussion within the EPA" (interview with former business representative, Pretoria, 27.01.2011). Nevertheless, capitalist class representatives also recognise the lack of knowledge about the potential effects of trade in services that are also relevant for trade in investment: "But on the services and investment thing as well, I think we agree with the government on their fears about not being clear about the potential effects of being bound by certain things" (interview with a business representative, Johannesburg, 14.10.2010). The national and regional service capitalist fractions could postpone any further commitments beyond cooperation because they supported the government. Conversely, the liberally oriented service capitalist fractions wanted to liberalise the services sector; however, they could not succeed over their counterparts or the working class representation. BUSA, as the representative organisation of South African capitalist classes, has to find a way of balancing the different perspectives; however, due to the fact that manufacturing capitalist fractions are much more organised (interview with former business representative, Johannesburg, 27.01.2011) than other capitalist fractions, their interests might have a stronger voice.

While the liberally oriented service capitalist fraction supported trade in services, the popular classes, in particular the working class representatives, had major issues with trade in services in the EPA agreement. As a result, there are working class representatives from sectors that were highly affected by the liberalisation process in the industrial sector who are sceptical about the impact. One labour official drew on these experiences:

> But, the one point and I think I will probably speak more about the trade and services thing is that […] we have to be very careful here as well. We have seen what's happened with the gradual kind of phasing off of tariffs and the lowering of tariffs. We have seen that, and we have seen the kind of […] impact it's had on our manufacturing industries. (Interview with labour official 1, Cape Town, 29.10.2010)

South African social services also belong to trade in services, and it is dangerous to include these issues in a trade agreement like the EPA. Already, the commitments to GATS have brought problems in implementing a new national health act because the act contradicted the GATS commitments (Sinclair 2005). Labour completely rejects negotiating trade in services and has suggested that these issues should not be dealt with at all, even in the GATS (NEDLAC 2010). However, COSATU, the main working class representative organisation, has been rather silent on service liberalisation in the WTO as well as in bilateral trade agreements (Draper et al. 2008: 584). In recent years, COSATU has only made general statements on trade policy within the framework of industrial policy. In 2006, COSATU emphasised that national services have to be secured and the government should "not make any offers to open up any public service to foreign commercial or privatised 'service providers' or companies, either on a bilateral or plurilateral basis" (COSATU 2006). In the debate, only general statements on the EPA and trade in services were made. COSATU was pleased about the EPA rejection overall (interview with civil society representative 2, Cape Town, 29.10.2010). Thus, the working class representatives could not achieve a full rejection of trade in services; however, a compromise remained in place regarding cooperation on trade in services.

Similar observations are possible in the field of trade in investment, which was less of a focus than trade in services. However, similar class fraction positions occur here. South Africa's state personnel see the South African market as open with regards to restrictions in energy, transport and communication. In the case of the EPA negotiations, the same type of trade-in-services-only cooperation would be possible for trade in investment (interview with civil servant 3, Pretoria, 13.10.2010). The focus is again on internal development issues: "So, how we draft our investment policies vis-à-vis external partners also has to respond to our own internal dynamics as well" (interview with civil servant 1, Pretoria, 05.10.2010). In doing so, other departments (such as the National Treasury) are consulted on the question of investment; however, the DTI undertakes the technical negotiations (interview with a legal trade expert, Pretoria, 26.01.2011).

Fears are expressed in the popular classes in terms of trade in investment. "South Africa really does need investment, but it is not a kind of total liberalisation that is needed. It has to be guarded; they have to be cautious with the sector that they are opening up" (interview with civil society representative 2, Cape Town, 29.10.2010). These general concerns can also be related back to a rather sceptical popular class fraction regarding issues of liberalisation and the opening of markets. Therefore, the conflict over trade in investment again shows the scepticism of the state apparatuses and popular class perspectives.

Conflicts over Deep Integration Issues

Independently from the region, all draft texts of the Economic Partnership Agreement by the European Commission contained deep integration issues like public procurement, competition policy and intellectual property rights. Deep integration considers harmonisation behind the border, but also goes beyond legal agreements, as the trade partners should also adapt EU or US norms to provide easier access to their markets (Claar and Nölke 2013: 276). Previously, deep integration issues were discussed in the WTO; after the failure to implement them, those issues became part of bilateral trade agreements. The EU included them in the deep trade agenda and focused on issues like competition policy and geographical indications, but did not have a standard template like the USA (Kim 2015: 370–371; Claar and Nölke 2013: 277). The main controversy is that these issues like intellectual property rights, public procurement or competition policy are highly sensitive national policy areas. Including these issues would have a large impact on the national policy space as well as confirming that the dominant norms of the global North are framing these issues and implementing a liberal model of capitalism (Claar and Nölke 2013).

The EU–SADC EPA draft from June 2007 also contains deep integration issues that are given as reasons for the rejection by the South African government. This document covers competition, innovation, intellectual property rights and public procurement as trade-related issues (EC SADC EPA 2007). Although room for changes was provided, the European negotiators established the general setting of the themes in the agreement. With this in mind, it is no surprise that deep integration issues[5] belong to the main conflict-based issues in addition to trade in goods, services and investment within the EPA process. In the debate on the EU–SADC EPA, the South African state apparatus, the DTI, rejected deep integration issues in the negotiations. One major argument was that they have an impact on national regulations and limit South Africa's policy space (interview with civil servant 2, Pretoria, 05.10.2010, Carim 2009: 58–59). Other members of the state apparatuses from different departments pointed out similar concerns, highlighting that the DTI as part of the state apparatus is against deep integration issues because of a lack of capacity.

In addition, those issues do not have to be regulated according to the multilateral arrangement (interview with civil servant 1 and 3, Pretoria, 05.10.2010/13.10.2010).

Besides the strong rejection, the voices were calmer when discussing future perspectives on these themes. For instance, state personnel see that

> new generation issues have always been on the basis of cooperation. Cooperate to build in, with the view to strengthen the region in those areas. And that is exactly what we have been looking for from the European Commission. (Interview with civil servant 2, Pretoria, 05.10.2010)

In addition, "the government is prepared to negotiate new generation issues now and in the future, but building this policy space to be able to protect sensitive sectors" (interview with civil servant 1 and 2, Pretoria, 05.10.2010) comes first. This shows that the DTI is hesitant to announce a final rejection of the deep integration issues as a result of contradictions within the whole state apparatus because deep integration is also part of the discussions in multilateral agreements. Thus, parts of the government might not close the door completely to future talks because they might have other national interests in the future. Even though the new trade policy (TPSF) identifies further research areas, the paper also highlights the need to create a policy space rather than simply having an opinion on these issues (DTI 2010: 45).

Interestingly, organised capital initially saw no reason to oppose the deep integration issues. According to representatives of capitalist class fractions, "in general we are not opposed to them" (interview with a business representative, Johannesburg, 14.10.2010) and "any specific sector that would oppose them" (interview with a business representative, Johannesburg, 14.10.2010) is not known. In addition, capital has nothing against

> competition issues or the new generation issues in trade agreements. But we also want it to be done in an informed manner. So with the EPAs for example, it is not a prerequisite or WTO compatibility to have some of these issues in. But as business we do not mind them in, we do not mind a discussion on them. (interview with a business representative, Johannesburg, 14.10.2010)

For the organised capitalist class, the deep integration issues are not "a big deal." At the same time, a representative also argued that "each specific one [deep integration issue] has its own issues" (interview with a business representative, Johannesburg, 14.10.2010). These issues are hardly formulated concretely and remain vague, which also shows the contradictory class positions held within capitalist class fractions. Most capital class fractions do not consider deep integration issues like competition policy as part of trade agreements, and capital representation was not "able to talk about new generation issues with business practitioners" on the matter, as a former business representative pointed out (interview with former business representative, Pretoria, 27.01.2011). Deep integration issues are not rejected formally by organised capital (BUSA 2010a). Nevertheless, they argue that the EPA conflicting issues need to be resolved in order to avoid problems in trading in the region (BUSA 2009). This shows that the regionally oriented capitalist fraction wants a solution, while the liberally oriented capitalist fractions might have no problem with these issues because they would advance their operational field. Although voices in the state apparatus think that business "do[es] not always agree with the positions government has taken" (interview with civil servant 2, Pretoria, 05.10.2010), the organised capitalist class supports the government's claim for more research and impact assessments on deep integration issues (interview with a business representative, Johannesburg, 14.10.2010).

While the state apparatus and the organised capitalist class fractions are not rejecting the deep integration issues per se, the popular classes insist on excluding these issues in the EPA. Former COSATU general secretary Zwelinzima Vavi announced that:

> the EPA is a WTO-plus agreement in that it seeks to impose requirements that are not required for free trade area agreement under the WTO. As COSATU we have strongly objected to the proposed EPA because its main objective is to entrench the colonial trade patterns where developed countries export manufactured value added goods and import raw materials from developing countries. (Vavi 2011)

Similarly, COSATU also argue for their position in a statement on the trade policy framework TPSF in the Parliament Committee on Industry and Trade:

> COSATU would like to see a much firmer position in the TPSF on especially the prerogative of government to exclude public services, government procurement and other strategic areas from the ambit of the WTO. Further to that, the South African government should reaffirm its right to regulate markets and investment in the public interest. (COSATU 2010a: 8)

Besides the focus on securing jobs in the South African labour market, COSATU are also sceptical of the impact on the public sector if deep integration issues are implemented. In the debate on EPAs, a labour official made it clear that the EPA would not be signed if those issues were included (interview with labour official 2, Johannesburg, 05.11.2010). From the state apparatus perspective, labour is inflexible on these issues (interview with civil servant 2, Pretoria, 05.10.2010). In addition to the working class representation, other popular class fractions are also hesitant on these issues and have declared them to be generally undesirable (interview with civil society representative 1, Cape Town, 25.10.2010).

The Trade Strategy Group is the major platform for organising a critical perspective on trade agreements. They engaged in the debate on the EPA and in the global campaign to stop the EPA, but the voices of the critics became silent over time (interview with civil servant 2, Pretoria, 05.10.2010). The popular class fraction TSG also acknowledged the policy change by Trade Minister Davies and his greater caution with regards to the EPAs (interview with civil society representative 1, Cape Town, 25.10.2010). Nevertheless, the engagement of the popular class fractions in the matter of deep integration was important for the national debate. With the government decision not to sign the interim EPA and to negotiate deep integration issues, a lot of criticisms were acknowledged.

As shown, the DTI and most capitalist class fractions rejected deep integration issues in the EU–SADC EPA. However, they have indicated that they would consider them in the future. In contrast, the popular class fractions established a much stronger position against the deep trade agenda. Deep integration issues in the EU–SADC EPA would have an impact on South African national regulation possibilities, which is becoming visible in competition policies and public procurement. With regards to the interim EPA, the difference between competition policies in South Africa and the EU is enormous[6] because the South African state addresses previous social disadvantages and the high degree of economic concentration, while the EU has other priorities and does not focus on small enterprises (Claar and Nölke 2013: 284). As small and medium enterprises are hardly involved in organised capital, their demands are neglected in the negotiations, although they would feel the impact of the results. The support for Black Economic Empowerment in the competition policy would thus be minimised, and the EU-framed competition policy would instead support large capital class fractions and not the small, mainly black-owned, capital. Therefore, it is not surprising that large capital support the general linkage between competition policy and trade policy in order to address the anti-competitive behaviour of trade partners (Majokweni 2013: 8). Hence, large capital is open to competition policy regulations in the interim EPA. It can be assumed that large organised capital will benefit from this development because economic concentration and no enforcement of the regulation to sell firm shares to blacks would increase business opportunities for large capital with foreign capital connections.

The issue with South Africa's own policy space is very crucial for the South African political economy because the national social and economic policies, in particular the BEE legislation, would be under threat. As the Deputy Director-General of the International Trade and Economic Development Division at the Department of Trade and Industry in South Africa, Carim, points out: "The IEPA [interim EPA] provision on national treatment reduces the policy space currently available under the WTO in a manner that could undermine South African government procurement for black economic empowerment programs" (Carim 2009: 57). The state apparatus sees its own policy space as being in danger. In addition, the BEE provisions are in the interest of the political elite because of their interrelation with black-owned business. In the case of the capitalist fractions, there is a different picture. Within the South African class relations, black capital is generally the least likely to be interested in more competition in the field of public procurement[7] because BEE secures access to tenders (see more in Claar and Nölke 2013: 282–283). Currently, companies have to meet the BEE targets to receive public tenders. National, mainly black capital that is active in public tenders, for example, social services, would receive more competition through foreign European capital. Foreign capital has to meet BEE obligations, except in the case of black ownership (Mebratie and Bedi 2011: 8). Foreign capital attacked the policy of BEE because it is a disadvantage in investment. This is a general problem in trade and bilateral investment treaties, as foreigners are also expected to follow BEE regulations (Chigara 2011: 215, 219–220; Yazbek 2010: 111–113). On the other hand, public procurement is particularly rejected by capitalist class fractions that profit from BEE and those who think this is an adequate policy for addressing the disadvantages. Similar to the state apparatus position, the popular classes view public procurement in trade agreements very sceptically because it is an important tool for industrial policy. In other words, it

> is sacrosanct, you do not know how to go there here. And through that I think there is no way that is the last. It is the only tool government has to influence industrial policy, full stop. That does not get touched. (Interview with trade expert 1, Pretoria, 25.01.2011)

Even if the EU pressured the states with sanctions, government procurement would not be negotiated (interview with civil society representative 2, Cape Town, 29.10.2010).

Overall, in the case of deep integration issues, the major argument from all classes is that there is not enough information about these issues and their impact. The DTI does not want to negotiate deep integration issues in the EU–SADC EPA or in the WTO. It would hinder national policy space and affect current regulations, for instance, the BEE. In the debate, the state personnel have not closed the door to deep integration in the future because the government wishes to leave the possibility open in order to have the policy space to reconsider its decision. Within the capitalist classes, some fractions are open to discussing deep integration issues such as competition policy. For the most part, large organised capital pretends to be open to negotiating these issues, while the small-scale capital is not involved in the debate over trade agreements. Small-scale capital would feel the most impact because of competition from foreign capital in the local market, and this is the terrain in which small-scale capital primarily operates. In contrast, large capitalist class fractions instead focus on the regional and global markets. In this case, the DTI and the organised capitalist class fractions both agree on the need for more research into the impact of deep integration and to find a compromise regarding the EU–SADC EPA.

Working class representatives and organised popular class fractions involved in trade policy argue completely against deep integration, in particular against public procurement, because of the BEE regulations. They try to emphasise the problems of deep integration issues in the broader context of South African society, while the state apparatus and capitalist class fractions would support them under specific circumstances in the future.

The (Unspoken) Class Compromise

Within the negotiations, various class fraction perspectives on the EU–SADC EPA and single trade issues became visible. The interests of the various class fractions from capital through to the popular classes and onto the state apparatus differ in the concrete conflicting issues, but this was the grounds for general support of the government decision to reject the proposed agreement in 2007.

In the case of trade in goods, in principle most class fractions supported an agreement on market access, but the EU offer was not sufficient. In particular, protectionist capital, such as manufacturing in clothing and textiles and export-oriented commercial agricultural, was interested in the trade agreement with the EU only if their access to the EU market would increase. Simultaneously, the same capitalist fractions remained protectionist towards their own markets. The working class representatives were more sceptical about further commitments, even in trade in goods. In particular, the working class fraction related to manufacturing capital in clothing and textiles believes that South Africa's market is liberalised enough.

In the case of trade in services, several classes and the state personnel refused commitments beyond cooperation. This argument was supported by the regionally oriented service capital and could prevail over the demands of their liberally oriented service class fraction in this matter. In contrast to well-organised agricultural capital, service capital is hardly organised or involved in the political debate on trade in services. The perspectives also differ among the regionally oriented and globally oriented capitalist class fractions in these sectors. The large organised capitalist class fractions are supportive in order to keep their economic power. What is interesting at this point is the non-involvement of mining capitalist fractions in the EPA services debates, as they are one of the main driving forces in South African class relations. On all issues, small-scale and local capital are not consulted or recognised in trade in services. As such, the impact on their operations is not discussed. Small, medium and large capital will have to react to competition from foreign capital if the trade agreement comes into force. In the negotiations, the representatives of the state apparatus suggested cooperation in trade in services and investments, although the EU demanded common regulations.

Within this EPA debate, the popular class fractions wanted the rejection of the interim EU–SADC EPA and rejected further commitments in trade in services and investment as well as deep integration. Working class representatives are strongly against liberalisation in trade in services as well as deep integration issues; their argument is that more jobs will be lost if deep integration is part of the trade agreement. However, the popular class fractions support several state positions and even call for more action against the EU–SADC EPA. Their mobilisation and public articulation against the general shape of all the EU EPAs beyond South African society supported refusing the interim EU–SADC EPA.

All together, the DTI and most capitalist class fractions have similar concerns about trade in goods, services, investment and deep integration.

The state apparatus and organised large capital are sensitive of their common positions towards the EU. Interestingly, it seems that organised capital has adopted one single voice (interview with a business representative, Johannesburg, 14.10.2010). They also supported the government position, and it looks like an unspoken class compromise between the state apparatus and the capital classes has developed, as indicated by capital representatives themselves:

> as I say, there was almost this kind of strange unspoken thing that, to protect the coherence of the South African position with the EU […]. So you would never have heard business standing up and saying on the same platform as a government person a different viewpoint. (Interview with a former business representative, Pretoria, 27.01.2011)

In order to support coherent national interests in the EPA agreement, the capitalist classes have followed the position of the state apparatus, although they had different interests and concerns in the interim EPA debate.

Within South African class relations, the rejection of the interim EU–SADC EPA was the dominant position, albeit every class fraction had different motives for adopting this position. Indeed, in the situation of the EPA negotiations, the South African capitalist state secured the national interests that were built through a class alliance on this matter. In contrast to trade in services and deep integration, the matter of trade in goods is much more controversial. It is even more likely that agreement will be reached on trade in goods in the future because agriculture and manufacturing have a precise idea of needs in relation to tariffs and market access in contrast to trade in services and deep integration. All involved class fractions agreed on the decision by the government not to sign the interim EPA. In this situation, it was possible to find a class compromise among the state apparatus, the capitalist class fractions, the political elite and the popular classes. The national relationship of forces stood together against the pressure of the EU to agree on their terms and conditions.

Notes

1. At the time of the interview, the EU had twenty-seven member states. There are twenty-eight members at the time of writing since Croatia joined in July 2013 (EU n.d.).

2. In 2011, the SADC Employer Group was dissolved and included in the SADC Private Sector Forum (SPSF 2014). The former webpage is no longer available.
3. In the meantime, the SADC Protocol on Trade in Services was signed in August 2012 (SADC 2012).
4. The Cariforum-EU EPA was signed in 2008 and brought into force by 2009. It is a full and comprehensive EPA that includes, in addition to tariff regulations, trade in services and deep integration issues like competition policy and public procurement (Silva 2014: 21).
5. In the interviews, the term deep integration was hardly used; the interviewees used rather the "WTO plus" or "new generation issues" to point to the deep trade agenda.
6. The full argumentation on competition policy was elaborated in Claar and Nölke (2013: 283–285).
7. The argument on BEE has been previously presented in Claar and Nölke (2013: 282–283).

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Civil servant 1 and 2, Pretoria, 05.10.2010 (recorded)
Civil servant 3, Pretoria, 13.10.2010
Civil society representative 1, Cape Town, 25.10.2010 (recorded)
Civil society representative 2, 29.10.2010 (recorded)
Former business representative, Pretoria, 27.01.2011 (recorded)
Labour official 1, Cape Town, 29.10.2010 (recorded)
Labour official 2, Johannesburg, 05.11.2010
Lecturer in international relations, Johannesburg, 06.10.2010 (recorded)
Legal trade expert, Pretoria, 26.01.2011 (recorded)
Trade expert 1 and 2, Pretoria, 25.01.2011 (recorded)
Trade researcher/former civil servant, Pretoria, 07.10.2010

CHAPTER 10

Restart of the EU–SADC EPA Negotiation and Its Outcome

Certainly, stopping the SADC EPA trade talks did not affect South African trade with the European Union because there was a valid trade agreement. South Africa's capitalist state did not feel any trading threat by not concluding the interim EPA at that time. The debates on several trade issues between the state apparatus, the capitalist class fraction and the popular class fraction resulted in a new phase of trade policy and decision-making on the national level. The Department of Trade and Industry led a consultation phase with various other stakeholders from the capitalist class fractions, other state apparatuses and popular classes (see in detail Carim 2010: 7–9). The debate underlines, similar to the EPA trade talks, that a common position of all involved classes on trade policy issues could not be found. Both protectionist and liberal perspectives dominate the trade policy discussion and show that the various class interests have not changed. However, the contradicting positions result from different demands and interests in trade relations, mainly by capitalist class fractions. This also shows that the unspoken class compromise against the EPA was a temporary phenomenon.

Following the different interests, the policy papers partly mirror the reasons for the rejection of the interim EPA. In the matter of trade in goods, particularly labour-intensive manufacturing class fractions were able to articulate their interests; for instance, protectionism via tariffs (DTI 2010: 17), if necessary, and reducing input costs. They could continue to

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secure support by the state apparatus because manufacturing has an important status in the Trade Policy and Strategic Framework for national economic development (see DTI 2010: 15). Liberally oriented capitalist class fractions with connections to foreign investment are not especially emphasised in the trade policy paper. Working class representatives with linkages to labour-intensive manufacturing capital are in favour of more protection of their own market, and the TPSF acknowledged that the labour-intensive sector should be supported (DTI 2010: 48).

In the case of trade in services, there is less organisation of service capital and so their demands are not coordinated. The extent of disagreement has led the involved parties to admit that they do not have a common perspective:

> It will be necessary to construct a robust engagement between Government and stakeholders to develop a broadly agreed approach to this area of work, which is complex and contested. There are genuine differences among internationally respected academics, lawyers, trade specialists and practitioners on the interpretation of key provisions in the GATS. (DTI 2010: 45)

This acknowledgement reflects that, in the consultation phase, an agreement on trade in services was hardly possible because of contradictory perspectives as well as small service capital class fractions without the capacity to be involved in the government consultation processes. Therefore, including trade in services in the interim EPA has been postponed until a later stage; however, this shows that contradictory positions exist and that service capital was not able to succeed with their demands.

Overall, the major concern is loosening policy space for national development and legislation (DTI 2010: 45). Regional integration is one of the major concerns in the debate over the SACU and the SADC. Therefore, it is demanded that common trade and industrial policies be considered if agreements beyond tariffs are discussed (DTI 2010: 37–38). Besides the repetition of possible reasons for the rejection, the policy papers also offered possible reasons for continuing the EPA trade talks, as they demonstrate that the EU–SADC EPA put the achievements with the SADC and the SACU under threat (DTI 2010: 39). The prospects of the EPA are open to different interpretations; thus, South African trade policy postulates only general remarks. However, regionally oriented class fractions had an interest in keeping the region together and securing their market access. The threat to regional integration brought the EPA-SADC group back together and shows that regional dynamics have high relevance for the development of the EPA negotiations. The Southern African states developed a common position towards the negotiations. In the end, they demanded a common EPA for the SADC group from the EU and turned away from the various single EPAs in order to secure the regional integration project (Carim 2017: 173; Lorenz-Carl 2013; Lorenz 2011). In practice, halfway through 2010, the European Union started to negotiate once again with the SADC EPA group, but South Africa emphasised that it would only negotiate trade in goods and that the other issues are no longer on the table for discussion (Julian 2010b). In this way, the South African government has secured special treatment in the negotiations and can rely on its negotiation team. South Africa's team has seasoned negotiators with a lot of historical knowledge and expertise in trade issues particularly in trade in goods. Alongside Minister Rob Davies, Xavier Carim is an excellent negotiator (interview with trade expert 1, Pretoria, 25.01.2011). The South African team in the EPA negotiations hardly changed, while on the EU side, changes took place (interview with civil servant 1 and 2, Pretoria, 05.10.2010). At the same time, the 2007 class compromise fell apart as the negotiations restarted. The negotiation process took until mid-2014 to complete because of several outstanding issues and further inclusions by the EU. Civil servants had already anticipated the following in 2010: "I think with each negotiating session we are able to move closer to each other. And we are able to discuss issues as that we appreciate each other's viewpoint" (interview with civil servant 1, Pretoria, 05.10.2010).

Besides the more complex issues, increasing market access for South African capital was still the major issue for the South African negotiators. Other difficult issues, such as the Most Favoured Nation clause, also remained on the programme (Julian 2010b, 2011a). With the trade policy and former discussions on trade in services and deep integration, the SADC EPA group emphasised that they would cooperate on these matters but did not include them in the free trade agreement. The South African government was not happy with these issues. In order to discuss and implement the issues, more capacity and human capital would be needed (interview with civil servant 3, Pretoria, 13.10.2010). However, the European Commission placed geographical indications (GIs) on the negotiation agenda as a part of deep integration. In the field of GIs, the European Commission demanded more than just cooperation (Julian 2011b). The GIs protect product names in South Africa and the EU in such categories as food, wines and spirits (European Commission 2014b).

They are only relevant for South Africa and not for the other SADC states. After South Africa postulated only to negotiate trade in goods, the GIs were expected to be the dealmaker for the European Commission (Grant-Makokera and Botha 2011). In the end, they were indeed part of the deal. After excluding trade in services and deep integration, the South African state could hardly reject any further commitments in terms of trade in goods. In this field, capitalist class interests, in particular export-oriented commercial agricultural capital as well as clothing and textile manufacturing class fractions, were pushing for new regulations to secure market access to the EU. In addition to internal pressure from the major capitalist class drivers, agricultural and manufacturing, external pressure was also put on the South African capitalist state. Within the EPA negotiations, the EU was much more willing to provide compromises on the conflicting issues in trade in goods.

The Final EPA: Changes in the Relationship of Forces

The goal was to achieve a comprehensive EU–SADC EPA including South Africa; the negotiations continued (EC 2013), and in July 2014 the goal was accomplished (Roquefeuil 2014). The final EU–SADC EPA contained several compromises on the previous conflicting issues in trade in goods. All parties needed more than a year to form legal texts that were ratified in June 2016. In October 2016, the agreement entered into force provisionally with the EU and SACU members, while Mozambique was still engaged in ratifying procedures and Angola remained an observer of the agreement (Tralac 2017; DTI 2016: 7). For South Africa, the final EPA is an improvement of the bilateral Trade Development and Cooperation Agreement. It replaces the TDCA trade chapter and provides more policy space. However, the EU still gives the other SADC EPA members better access to the EU market than South Africa (Carim 2017: 173; DTI 2016: 8). The EPA was a success for significant improvement to EU market access, mainly in the area of agriculture, and securing the common external tariffs of the SACU.

In practice, the EPA has better quotas for South African products, for example, wine with an increase of up to 110 million litres (under the TDCA, 50 million litres), with zero duty. In addition, sugar and ethanol had no special treatment under the TDCA; under the EPA, 150,000 tonnes of sugar and 80,000 tonnes of ethanol have no duty. For further agricultural products like milk, flowers and canned fruits, the EPA grants a tonne amount for duty-free each year and allows an automatic amount of annual increase after 2020. Conversely, the SACU allows the EU better access for wheat, cheese, pork and processed food products. The EU and South Africa also agreed on terms for liberalising the fish sector (Carim 2017: 174; DTI 2016: 9; EU–SADC EPA 2016 Annex 1 Section B). The new agricultural regulation came into force in November 2016 (Tralac 2016; DAFF 2016). The parties also agreed on the possibility for South Africa to impose export taxes on up to eight products (DTI 2016: 10). In terms of the rules of origin, the agreement provides room for flexibility, which means that companies can use foreign components. For instance, the textile industry can use imported fabric, and the product origin is accordingly South African (DTI 2016: 10; European Commission 2016: 3, 24–25). The South African state apparatus proclaimed it an improvement on the TDCA and "the new rules also contain provisions that will encourage South African clothing exports" (Davies 2014). In addition, the change in RoO to a single transformation requirement for the clothing industry could advance manufacturing access to the EU market. Working class representatives supported this strategy because more exports could secure more jobs.

The controversial MFN clause and the definition of parties were resolved, as both parties agreed that "there is no longer an obligation on SACU to automatically extend advantages granted to other trading partners to the EU" (Carim 2014). Moreover, the EU–SADC EPA also regulates the MFN clause in terms of export duties; South Africa (and the others members of the agreement) has to grant the EU the same duties as any other large trading partner. If the EU and/or the SADC EPA group grant lower customs to a third party (in the case of SADC EPA for major trading economies), this also applies for the parties in the EU–SADC EPA (European Commission 2016: 20). The disagreements on the definition of parties were solved through the adoption of terms whereby the South African Customs Union would act as one bloc (Carim 2013; Julian 2010a).

Similar to the restarting of the negotiations, the motive for concluding an EPA was to secure the regional integration process and the oldest customs union, the SACU. In other words, South Africa's regionally oriented capitalist class fraction was afraid of the major impact on the region if they diverted from the route taken by neighbouring countries. The regionally oriented capitalist class fractions also wanted to make sure that their counterparts from the neighbouring countries did not receive better access than they did. Politically, the state apparatuses still saw South Africa in a leading role. For instance, the International Trade Administration Commission also established the allocation and distribution of the SACU customs (interview with legal trade expert, Pretoria, 26.01.2011).

The highly controversial deep integration issues, like public procurement, competition policy and intellectual property rights, are only for discussion and cooperation; no concrete arrangements were made. However, as part of the EU deep trade agenda, it pushed for a bilateral protocol on geographical indications (Carim 2017: 175; EC 2016: 57). In contrast to the TDCA, the concluded GI protocol also allows the coexistence of names like feta. The GI protocol regulates 253 GIs for the EU and 105 for South Africa, plus 30 agricultural products in the future. As the South African trade minister concluded in 2014:

> we have an interest in protecting the names of the many South African wines we export to the EU, and we have a growing interest to protect the names of specialised South African agricultural products (such as "rooibos", "honeybush" and "karoo lamb"). The outcome of the GI negotiations will not affect the product names currently being used by producers in South Africa and importantly, for our stakeholders, we established a mechanism to address non-tariff barriers that inhibit trade in wine. (Davies 2014)

In autumn 2016, the required notifications for the GI protocol were submitted (Carim 2017: 175–176; Kruger 2016; Tralac 2016; EC 2014a; Roquefeuil 2014). In terms of market access for agricultural products, South Africa's commercial export-oriented agricultural capital achieved better access to the EU market. South African agricultural capital has better access for wine, sugar, fishery products, flowers and canned fruits in the EU market (EC 2014b). The agreement on agricultural safeguards and GIs demonstrates that export-oriented commercial agricultural capital had an influence on the South African position and that they expect to be competitive in the EU market. Protecting the names of local products provides the possibility for these products to be further recognised by consumers. In particular, the mainly white-owned wine capitalist fraction made a commitment to exporting more. Nevertheless, while agricultural access could be improved, the demands for more access for South African industrial exports were too small to gain traction. For instance, the aluminium industry demanded better access, but it could not be fulfilled, as the South African sector did not want to give more access to the EU (Carim 2017: 174; DTI 2016: 9).

In the early stage of negotiations (2004–2008), the general context within South Africa, the region and Europe also shaped the trade negotiations. In 2007, the popular classes within South Africa and Europe supported the EPA rejection. The popular classes intervened actively in the public debate, and the media covered the EPA issues. This coverage declined sharply after South Africa did not sign the interim EPA. One reason for reducing the attention was the "feeling or sense that at least South African government will not be signing this" (interview with civil society representative 1, Cape Town, 25.10.2010). At the same time, the focus of the popular classes in Europe also changed towards their own economic and financial crisis in the EU and the periphery. Considering these developments, the relationship of forces in the EPA negotiations has experienced a change, too. Therefore, the interest declined over the years. Even the media in South Africa hardly covered the second stage of negotiations (2010–2014). Civil servants emphasised the following explanation for the limited amount of protest related to the EPAs:

> Yes, it is just now and then, but mostly it has died down […]. Also I suppose, you know, the extent to which civil society jumps on these issues is the extent to which the media has an interest in these issues. (Interview with civil servant 1, Pretoria, 05.10.2010)

Hence, the negotiations were no longer in the spotlight and were hardly covered in the South African media. Also, the COSATU representatives had no further interest in the trade issues and did not organise broad opposition against the final negotiation stage.

This time, only some critical voices came up with their concerns. The UK's Trade Union Congress criticises the EPA for "the removal of tariffs for manufactured imports from the EU to SADC countries" because this "makes it difficult for domestic goods to compete in SADC countries' markets" (O'Grady 2016). Also, former South African President Mbeki raised concern about the impact on Africa's economic development, arguing that a reciprocal agreement is too early (African News Agency 2015). Within the South African government and among its personnel, the EPA trade deal is presented in parliament, as a good deal that will benefit South African exports (Kruger 2016; Mlumbi-Peter 2016). Despite the protests and harsh critics during the interim EPA, the positive framing shows that the South African government is satisfied with the results, even if not all class fractions agree. The future will show how the trade agreement will benefit the EU, South Africa and the southern African region, although new problems are already developing. In June 2016, UK citizens voted to leave the EU, and as no concrete Brexit strategy is negotiated yet, there are indications what the Brexit will mean for the previous common EU trade agreements like the EU–SADC EPA. Depending on the Brexit strategy, the UK can remain partner in the EPA agreements or it has to negotiate new trade agreements with them. Although the South African government has a pragmatic view on the Brexit, the DTI is already engaging with the UK on the impact of the Brexit on trade and other relations. Up to the formal exit from the EU, trade with the UK will remain covered by the EU–SADC EPA (DIRCO 2016; Mlumbi-Peter 2016). However, South African export products enter the EU mainly through the UK and the Brexit would decrease the amount of exports in metal and steel, agriculture and automobile products that are the top three exports to the UK market. Moreover, as the UK market might struggle after the Brexit, the demand for imports and investments will decline (Gibb 2016). In regard to the EPA—depending on the way of leaving the EU—the trade with the UK could be regulated through the Most Favoured Nation that could create higher tariff and more competition in the UK market. It would also be possible that the UK duplicate the EPA or negotiate new agreements with the African states (Razzaque and Vickers 2016: 2, 6–7). Overall, if UK leaves the EU, a new phase of trade agreements will come up that have the potential to be more restrictive for the African states, also South Africa, even if British companies are highly interwoven with the South African market.

Why a EU–SADC EPA Agreement?

After all the frustration and the near break-up of the region and the oldest customs union in the world, it is obvious that the constellation of the relationship of forces shifted between 2007 and 2014/2016. The result of the changing relationship of forces and the division of class compromises is that the South African government rejected the interim EU–SADC EPA in 2007 but concluded the EU–SADC EPA in 2014.

The EU and South Africa could agree to leave out the points on trade in services and deep integration in the second phase of negotiations. Thus, only themes related to trade in goods would be on the negotiation agenda. The EU took the South African demands more seriously and made many more compromises than in the first round of talks. Besides the EPA's general context, this time the situation differed. In 2007, the pressure to include trade in services and deep integration exerted restraint on the capitalist fractions that wanted to improve their market access. This time, agricultural and manufacturing capital could increase the pressure on the government to ensure better market access. In the first negotiations, the South African government made a different decision than its neighbours and the SACU's future was uncertain. In order to avoid a break-up, the regionally oriented capital also pushed for an agreement to secure the regional integration projects as well as to bring the South African economic and political power back into the region. Regional integration is one pillar for economic development.

Overall, the EPA process took more than ten years until an agreement between South Africa and the EU could be reached. At the beginning of the negotiations, several debates took place on issues in the EU–SADC EPA and other EPA drafts, but the last years instead took the form of finding an agreement on the EPA. I argue that the whole EPA process is not only about one relationship of forces. It has been shown instead that relationships of forces are fragmented along trade policy issues. In addition, the fragmentation of the relationship of forces also changed between the first and second negotiation stages. The first negotiation phase and the consultation process for the trade policy was an arena for consolidating positions and class interests. As shown, the EU–SADC EPA process was highly controversial from the beginning because the EU included trade in services and deep integration issues on the agenda. South Africa's government positioned itself against the EU–SADC EPA in legal form, as presented in 2007. Surprisingly, the organised capitalist and the popular class supported the state apparatus in its position. Therefore, a class compromise in the relationship of forces was found in the communication towards the EU trading partner. Within the South African relationship of forces, the rejection of the interim EU–SADC EPA was the dominant position, although the motives behind this differed within the class factions.

In trade in goods, it is possible to identify a strong position by the commercial export-oriented agricultural as well as the labour-intensive manufacturing capitalist fraction. In the first negotiation phase, they had an interest in increasing market access but accepted the state apparatus decision to reject the interim EPA. The state apparatus, the DTI, supported their demands in the second round of the EPA process and secured better market access, mainly for agricultural products. Depending on the concrete problematic issue, divergent class faction interests were also articulated, although it sounded like one voice at first. As has been shown, it is important to distinguish between regionally oriented and globally oriented capitalist class fractions as well as large and small capital within all the capital sectors. Mostly, the large organised capitalist class is involved in trade issues. Within the popular classes, a common position on the EPA is also shared. Working class representatives rejected more liberalisation in order to secure South African jobs.

In trade in services, the regionally oriented capitalist service fractions, such as banking and telecommunications, are concerned about the service liberalisation of other SADC group members. Their expansion possibilities would be smaller, while the EU could also come through the back door. Liberally oriented service capital, in contrast, would support more liberalisation. The working class representatives are also against service liberalisation due to job losses during tariff liberalisation. Therefore, the state apparatus remained supportive of the status quo in relation to the EU in allowing cooperation in trade in services.

In terms of deep integration, the positions are similar among all the class fractions and were rejected in the EPA; no common position was taken. In general, the state apparatus, the DTI, claimed its policy space in order to secure its national regulation possibilities. For instance, both competition policy and public procurement would hamper the BEE provisions. These are in the interests of both the political elite and the black-owned businesses that gain from them. Figure 10.1 demonstrates the concrete interactions of the relationship of forces within the EU–SADC EPA process and highlights the interconnections of the classes.

From a broader perspective, the interim EPA rejection was class compromise between capital, labour and the state. However, organised capitalist class fractions show that they do not always just support the decision taken by the government. As a former business representative stated: “there was almost this kind of strange unspoken thing that, to protect the coherence of the South African position with the EU, it would not come out strongly as business” (interview with a former business representative, Pretoria, 27.01.2011). Nonetheless, the discord between the classes was not openly discussed. This is corroborated by the following statement: “So in order to maintain negotiating credibility the disagreement was left

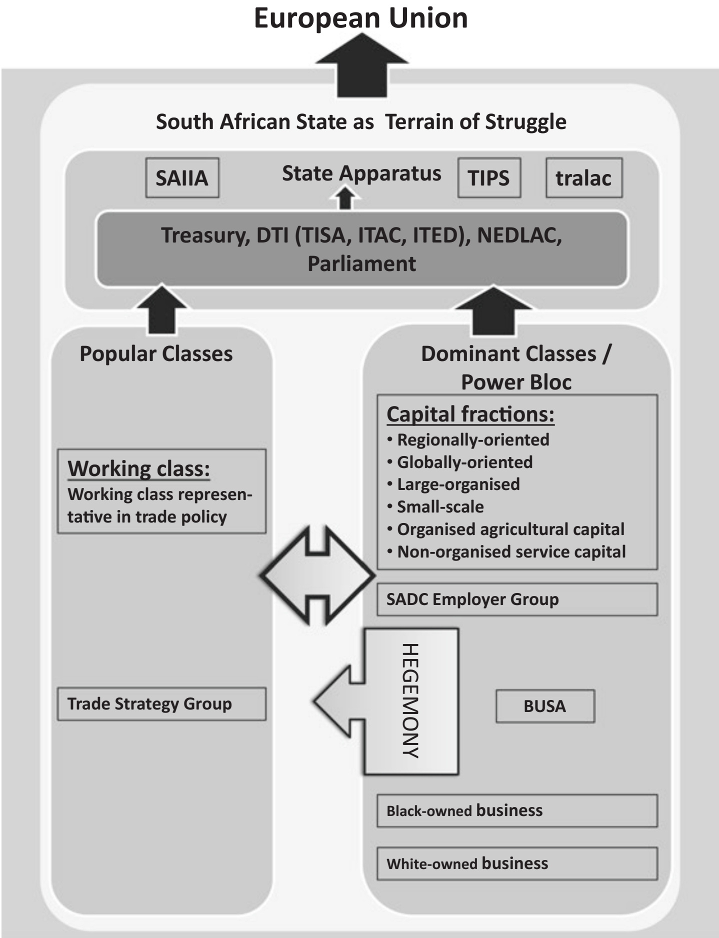

Fig. 10.1 Relationship of forces in the EU–SADC-EPA negotiations

internal and not ever really conveyed publicly or discussed that openly" (interview with a former business representative, Pretoria, 27.01.2011). It was shown that the working class representatives were hardly involved in shaping these trade matters because they did not articulate concrete positions.

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Civil servant 3, Pretoria, 13.10.2010
Civil society representative 1, Cape Town, 25.10.2010 (recorded)
Former business representative, Pretoria, 27.01.2011 (recorded)
Legal trade expert, Pretoria, 26.01.2011 (recorded)
Trade expert 1 and 2, Pretoria, 25.01.2011 (recorded)

CHAPTER 11

Conclusion

On 16 August 2012, South African police shot 34 miners at the Marikana platinum mine. The miners were on their sixth day of a wildcat strike for decent wages. The shootings marked the peak of the ongoing class conflict between foreign mining capital, in this case represented by the mining company Lonmin, and workers demanding a monthly wage rise from 4000 to 12,500 Rand. The workers had no support from the National Union of Mineworkers (NUM), the biggest trade union of the industry and a member of the umbrella organisation, the Congress of South African Trade Unions (COSATU). Nonetheless, the striking workers demanded to directly negotiate with their employer, Lonmin, about a wage increase (Alexander 2013: 605–607) and expressed their demands peacefully. In spite of this, the mining company and the police increased the pressure on the striking workers and, even after the shooting, the pressure continued to stop the strike. The South African state intervened by using police force to secure capital interests in this class conflict, a conflict that had hitherto been a crucial point of referral in South African trade and labour debates.[1] Why is it important to begin the concluding remarks with Marikana? South African society is currently at a crossroads, as several struggles are taking place that have a wider impact on economic and political development in the country. Marikana is a symbol of capital oppression supported by the capitalist state. The ongoing economic, political and social crises are manifesting and the pressure on the governing class is increasing. It turns

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out that the student movement #feesmustfall is not just a short episode; it represents the continued demand for free education and decolonialisation of the university curricula. It would be naive to believe that this is just a crisis in higher education. The structural unemployment, inequality and poverty also affect other areas (Davids and Waghig 2016; Naicker 2016: 53–55). Within the communities, service delivery protests (Cilliers and Aucoin 2016: 11–18) are happening on a regular basis, as are labour strikes. The corruption and authoritarian style of politics has also led to a call for the current president Jacob Zuma to step down. This is in connection with the #ZumaMustFall movement that emerged parallel to the current student movement (Satgar 2016). The South African popular classes are bringing their protests and demands into the public space. As a consequence, they are pressuring the government. Parallel within the African National Congress as well as the Congress of South African Trade Unions, internal battles about power and political beliefs further add to the social fragmentation and struggles within society. These incidents demonstrate the ongoing conflicts between various class fractions in the power bloc with specific regards to the role, identity, capacities and political goals of the popular classes, including the working class. The striking Marikana workers show us that this is a symbol of the class conflict within the relationship of forces. While the other struggles have an impact on the general foreign investment environment in South Africa, the Marikana strike impacted on the global price of platinum that was less available on the market than usual. This shortage influenced the global production chain, as South Africa accounts for 75% of the global supply. The price of platinum increased immediately after the shooting (Chibber 2012; Derby 2012). This direct impact on the global market also resulted from the changes in the global division of labour and transnationalisation. Consequently, national class conflicts have an impact on global developments and therefore remain important (Georgi et al. 2014: 89). In this case, the identified mining capital, also as foreign capital, played a very important role in the class conflict. The international dependencies and relations to foreign capital, in particular British capital, have an impact on the current relationship of forces and their own relation to their international and national networks. This is reflected in the Marikana strike: Lonmin is an English company, and its profit orientation has an impact on the South African working class. In addition, the interrelation of the state and Lonmin has influenced the South African relationships of forces and the state (Alexander 2013: 611–614). At the same time, mining capital remains mainly under white ownership, and the capitalist classes officially define themselves as black- and white-owned businesses. In this context, the large white capital still dominates South African capitalism because of the limited economic redistribution and the Black Economic Empowerment policies that have only been partly successful in changing the ownership structure. This demonstrates that South African capitalism is still shaped through the minerals-energy complex (MEC), although this accumulation regime is generally able to adapt to new economic developments like finance (Ashman and Fine 2013; Fine and Rustomjee 1996). Beyond the MEC, the key characteristics of South African capitalism are persisting racial oppression and crony capitalism. Its specific situation as a postcolonial and peripheral state also represents some specific forms of the capitalist mode of production in South Africa. South Africa's apartheid society was defined as a Colonialism of a Special Type (Padayachee 2013: 14) that divided the society between the white capitalist economy and the non-white-dependent colony. However, the characteristics of postcolonial societies and the CST remain important, in particular the fact that the social heritage of colonialism still has an impact on contemporary society. Race still shapes South African society and causes inequalities. It plays a crucial demarcation role in capital ownership as well as in the political sphere. The question of race is most relevant in the field of the capitalist class fractions because small and medium capital is part of black-owned businesses, while the big conglomerates are white owned. The political elite, like the ANC, mainly represents black businesses, while white-owned capital is still dominant in South African capitalism. The political elite tried to address these imbalances with such initiatives as Black Economic Empowerment. However, this only created a small black capitalist elite and left the majority of the population behind (Southall 2004: 320). The top level of the state apparatus is still white, and there are only a few black representatives at the top level (Butler 2010: 178–179). In the case of South Africa, class relations are shaped through various types of relationship of forces that are not only shaped through class but also through race.

Following this, the book has contributed to the analysis of South African class relations and defined class fractions. In the bourgeoisie mining, MEC-related manufacturing and automobile capital have strong connections to foreign capital, for example, British capital. In addition, finance capital, excluding parts of banking capital, has a close relationship to the MEC system and rejects interventionist industrial policy (Ashman and Fine 2013: 171). Due to the transformation process over centuries and the connection to foreign capital, these capitalist fractions became part of the comprador bourgeoisie. In contrast, manufacturing, parts of banking and agriculture capitalist classes are hardly related to the MEC but instead follow protectionist tendencies in trade policy. Manufacturing capital within the national bourgeoisie remains similar to most of the agricultural capital. Historically, agricultural capital was mainly constituted of Afrikaner capital that had close connections to the apartheid state (Terreblanche 2012: 50–51; Mohamed 2010: 44). The employer association, the Business Unity South Africa, pools the interests of these capitalist fractions in economic and trade policy issues and mainly represents the big, largely white-owned conglomerates (Nattrass and Seekings 2010: 7, 36). Some black-owned business associations broke away and formed their own association: the Black Business Council (Business Report 2012). As a matter of fact, white or black ownership was not the main cause because the internal fighting had its roots in the different capitalist interests of big and medium companies.

The political elite, by placing particular emphasis on the strong interrelations of the ANC, SACP and COSATU, are also part of the power bloc. The ANC class-based Marxist fraction shows linkages to the tripartite alliance partners SACP and COSATU. However, the relations between the ANC, SACP and COSATU have been strained due to debates on the growth, empowerment and redistribution policy and election support, but they continue their cooperation (Pillay 2011: 32; Butler 2004: 55–56). The ANC is divided into further fractions, for example, an exile fraction and a fraction related to black-owned business. In particular, the ANC exile fraction that lived in the global North during apartheid continued its linkages to foreign capital after its return. For instance, former president Mbeki acted as the spokesman of the comprador bourgeoisie (Butler 2010: 167; Calland 2006: 21). The ANC fractions with a close relationship to black-owned business also supported the ANC Progressive Business Forum (Gumede 2007: 165). Thus, the interrelation between the ANC political elite and black-owned business has also been institutionalised. Within the spectrum of political parties, the Democratic Alliance, as a liberal party, tries to challenge the political elite of the ANC, COSATU and SACP. Within trade policy, the Democratic Alliance is involved in parliamentary debates, but not in policy development processes. However, they want to strengthen trade (Democratic Alliance 2014: 30; James 2012).

The South African popular classes consist of the working class fractions, the unemployed and the poor class fractions. While the skilled and semi-skilled union members are represented by the trade unions in policy shaping, the marginalised working class fraction and the non-union members are hardly involved in policy shaping at all, in particular in trade policy. Other popular classes are only represented through the Trade Strategy Group that emerged from different civil society organisations (Webster 2013; McKinley 2011; Buhlungu 2010: 125–127).

The Department of Trade and Industry (DTI) is the most important state apparatus for trade negotiations and has followed a more protectionist policy since 2007. The Department of International Relations and Organisation, the Department of Agriculture, Forestry and Fisheries and other state apparatuses support the DTI in trade negotiations. The Presidency and National Treasury remain rather in the background in the field of trade policy (Rashad 2007: 19), yet they represent a more liberal perspective on economic and trade policy. The non-state actors, like the South African Institute of International Affairs, the Trade and Law Centre and the Trade and Industrial Policy Strategies, shape the government policies and have a large influence on the state apparatuses by shaping the agenda through their research and policy papers.

Marikana has vividly displayed the long-standing class conflicts in South Africa. It illustrates how new and old power blocs pervade society. The EPA negotiations were characterised by certain class compromises, both with regard to the rejection of the agreement and the later support. Class struggles and compromises are therefore an analytical lens through which South African trade policy can be understood in a deeper sense as a product of interrelated class forces, postcolonial statehood and transnational capital relations. The decision taken by the South African government is also a result of a class struggle and a class compromise to reject the interim EU–SADC EPA in 2007. This compromise occurred against the background of highly fragmented capitalist class fractions in the field of trade in goods. The agricultural and manufacturing classes exerted pressure on the state apparatus to advancing access into the EU market. In particular, commercial export-oriented agricultural capital and manufacturing export-oriented capital did not agree with the offers the EU made for market access. The DTI focused on the general framework of trade in goods, like the Most Favoured Nation clause, the definition of parties and the rules of origin. In contrast, export-oriented manufacturing and agricultural capitalist fractions demanded beneficial improvements in regard to access to the EU market compared to the Trade Development and Cooperation Agreement (TDCA). Agricultural capital and the clothing and textile manufacturing class fractions demanded better rules of origin regulations. This illustrates a much more complex composition of interests regarding trade in goods. Though these capitalist fractions had an interest in better market access, they supported the class compromise at the end of 2007 because they expected more potential for their demands. Interestingly, not all the identified capitalist fractions were present in the discussion on the EU–SADC EPA, for instance, mining capital, although the minerals-energy complex is the key accumulation regime and minerals are one of the major export product to the EU market. Mining should have interests in the outcome of the agreement. However, probably in contrast to manufacturing and agricultural fractions, mining are not in need of further liberalisation or they do not expect major difference between the EPA and the previous TDCA.

Regarding trade in services and investment, the fragmentations of the classes were much less intensive. While working class representatives declined negotiations on trade in services beyond the World Trade Organization, the DTI and the capitalist class representatives agreed to cooperate. Liberal-oriented service capital would even have agreed to move beyond cooperation in this matter, but the regionally oriented capital succeeded in its position towards trade in services. The class fractions with interests in accessing the regional market in services were rather reluctant, while other capitalist classes with different operations did not see any problems. The working class representatives rejected trade in services altogether, in particular in health and education, first and foremost because of previous negative experiences with trade liberalisation.

Similar conclusions can be drawn in the area of deep integration. In 2007, all the involved class fractions were unsupportive of negotiating deep integration issues. Furthermore, each class fraction, in particular the organised capitalist classes and the state apparatus DTI, emphasised the need to conduct further research on the issues prior to discussing them. Indeed, the working class representatives avoid detailed statements or positions on the matter. In the case of deep integration, the struggle over these issues did not take place in and around the EU–SADC EPA negotiations, as the class fractions involved did not make any suggestions on how to handle the deep integration issues besides further research (DTI 2010: 3–4, 45). Only the representatives of the capitalist classes argued that capital would have no problem with deep integration without giving any concrete references. Besides rejecting these issues, deep integration lost its relevance in the EU–SADC EPA negotiations. However, it was agreed to negotiate these issues with some SADC EPA members in the future.

Parallel to the debate by the government and the capitalist classes, the popular classes organised opposition not only in South Africa, but also in other African regions and in Europe. The stop the EPA campaign was a jointly organised counter-hegemonic movement against the EPA that raised transnational awareness in the political and public sphere (Kasirye 2014). Mainly, it was labour and civil society movements in Europe and the region that organised themselves and raised public awareness about the African EPA, including the EU–SADC EPA. This shows that the transnational popular classes had a supportive moment, and that they can influence national class struggles. In addition, the South African working class representatives also argued against the trade agreement in the public institutions like NEDLAC and parliament (Parliament of South Africa 2010: 1492–1496; NEDLAC 2010). These protests were a tool of the popular classes against the EPA and another reason why the South African government rejected the EU–SADC EPA at the time. Over the years, the protest declined, and in the negotiation process of trade in goods, the EPA was no longer in the public focus, although the principles of the agreement did not change. However, regarding the situation of the EPA negotiations, the South African capitalist state secured the national interests that were built in a class alliance on this matter despite different positions on the issues.

Although the motives of each class fraction were different, it is possible to talk about a national class compromise regarding the interim EU–SADC EPA, although this compromise was not formalised. The class fractions involved from agricultural, manufacturing and service capital together with working class representatives, the state apparatus DTI and the Trade Strategy Group as a popular class fraction organised a common position towards the EU. A consensus across the classes (and their respective fractions) regarding the interim EPA led to South Africa's rejection of the agreement. Hence, it can be seen as a class compromise at the time; but, in fact, the class compromise does eliminate class contradictions or change the relationship of forces.

Due to the fragmentation of the capitalist classes, the compromise was eventually repealed. The South African government concluded an EPA in 2016 (DTI 2016) on the grounds of national class relations. After the rejection of the interim EPA, agricultural and manufacturing capital continued to push for better market access beyond the existing free trade agreement TDCA. This also explains why the South African government pursued the EPA negotiations afterwards and the class compromise was only a temporary phenomenon. As a result, the South African government agreed to restart the EPA negotiations, but strongly asserted that it would only discuss trade in goods (Julian 2010). Manufacturing and agricultural capital had a strong interest in concluding an agreement with better market access and demanded better access to the EU market. They were successful in excluding the issues related to trade in services and investment beyond the cooperation and deep integration issues. The EU pushed for a protocol on geographical indications to protect regional products in the EU and South Africa, and it was a dealmaker (Grant-Makokera and Botha 2011). After four years of negotiations, a trade in goods agreement was concluded. This was possible due to external pressure, like the TDCA renewal and the ability to find common solutions for each conflict issue. In particular, the market access to the EU could be expanded for agricultural products and the changes of the rules of origin in a single transformation were favourable to clothing and textile capital. The negotiation partners received most of their demands. Even the state apparatus agreed to the changed Most Favoured Nation clause requiring the EU to apply to receive the same access as other South African trading partners. I would argue that the finalisation of an EPA related only to trade in goods was possible because of the articulated positions on trade in goods, the pressure by agricultural and manufacturing capital and less transnationally connected protest by the popular classes. The popular class coalition and protests declined over time and focused on other pressing issues, like the economic and financial crisis in the EU periphery. The bourgeoisie was again dominant in the relationship of forces. The class compromise on the interim EPA was cancelled because it was an outcome of a specific moment in the negotiation. The dominant capitalist class fractions, agricultural and manufacturing, were able to push through their demand for better market access to the EU with the signed EPA in 2016.

The neo-Poulantzian perspective on the South African state, backed with a historical materialist policy analysis (HMPA) (Kannanukulam and Georgi 2014; Brand 2013), provided the heuristical framework in order to capture the relationship of forces. The HMPA and the upgrading of Poulantzas' categories (among others Poulantzas 1976: 42–45) provide the advantage of an advanced understanding of the specific structure of the South African semi-peripheral capitalist state and its class dynamics. It was possible to locate dominant and hegemonic class fractions and their specific interests embedded in the materialisation of the relationship of forces and the capitalist state. By considering the long-term historically driven North-South relations and transnationalisation, the analysis was supported in terms of identifying imbalances between the SADC EPA group, South Africa and the EU as well as between South African capitalism and the state. Central here are also the particular habits of a postcolonial society, in the case of South Africa, the Colonialism of a Special Type and the impact of racial capitalism. The neo-Poulantzian perspectives on Southern settings contribute to the rising debate within critical international political economy that focuses on the interconnection between transnational and national, state and economy as well as locating various positions within the global arena.

The (Non)Future of the New Trade Agenda?

The book investigated the relationship of forces in South African trade policy making in the context of the EU–SADC EPA. Following the crisis of multilateralism, the EU increasingly fostered bilateral fallback options for trade liberalisation, thereby actively promoting "forum shifting" (Schultheis 2010) and integrating harmonisation and deep integration issues that had been rejected by the WTO in its bilateral agreements. Particularly in the new trade agenda, "deep integration" plays an important role in the trade arena and impacts the public debate on trade liberalisation. First of all, deep integration has an impact on national regulations and affects all policy areas from economic to labour to social aspects (Claar and Nölke 2013). Keeping an overview of the impact on its own national regulations is therefore complicated, and this complex set of issues and impacts also results in problems for the classes and their respective fractions. It is difficult for the capitalist and popular classes to get the whole picture of deep integration in terms of both gains and negative effects. This is not only true for the global South, but also for the global North. Although the global North is pushing for these issues, not all class fractions know what impact deep integration will have in the long run. This is even more relevant for the global South. Deep integration in trade agreements should therefore only be considered if all negotiation partners could estimate the impacts on national development. Yet, the lack of information on the advantages and disadvantages will not eliminate the divergent interests in trade agreements, and the question remains as to which class fraction can pursue its own interests.

Secondly, as a consequence, application-oriented research on issues of deep integration should take place. This means more impact analyses on various issues related to deep integration in existing trade agreements like the Cariforum EPA and more comparable work on the commonalities, advantages and disadvantages of various policies, for example, a comparison between the EU and South African competition policy (a brief comparison in Claar and Nölke 2013), an investigation of investment conditions or the impact of liberalisation on public procurement and minimising corruption. In addition, the different positions on these matters can be investigated in order to overcome the fragmentation in the capitalist classes and to give the popular classes a leading role in agenda and negotiating setting. This information could lead directly to specific policy advice for practitioners, politicians and civil societies in the global South and North that would emphasise what advantages exist for trading partners and where there is too much influence on national policy space and societies.

Thirdly, the European Union and others should not underestimate the bargaining power of emerging markets like South Africa. It gained political and economic power and the government strongly articulates its own demands in trade policy. Over the last decades, South Africa has learned to resist pressure from the EU and made its own decisions. The class compromise on the rejection of the interim EPA was possible because the South African government increased its bargaining power as an emerging market. The trade-in-goods EPA was negotiated in South Africa's favour. At the same time, the European capital class fractions were busy addressing the European crisis. In this context, they were also more open to compromises to achieve their own economic advantage outside Europe.

Fourthly, analysing the process of the EU–SADC EPA showed that the popular classes have been successful in mobilising against trade agreements. Nonetheless, if the public debate declines, mobilisation becomes harder and trade agreements are easier to conclude for governments. There is a danger in silencing protest through the power of the ruling classes because over time attention in the public sphere declines. The counter-hegemonic movements thereby find a preventive strategy to maintain the attention of the broader public. Mobilisation against trade agreements has to be organised in the long run and, if necessary, also beyond national boundaries. A further step could be a form of institutionalisation in the guise of creating a popular class think tank on trade policy issues beyond international organisations like the International Labour Organization and the United Nation Conference on Trade and Development.

All these points are also relevant in the present debate over the current North-North agreement, the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the USA as well as the Comprehensive Economic and Trade Agreement between the EU and Canada (signed in September 2014). In this case, the counter-hegemonic movements are also protesting against the new trade agenda with deep integration issues. Public awareness of the problems with these trade agreements has risen due to well-organised protests across the whole of Europe. The future of TTIP remains unclear, as the new US president Donald Trump cancelled the Trans-Pacific Partnership and this might have consequences for TTIP (O'Grady 2017). However, if it is implemented, it will have major implications on European and national regulations as well as on the daily lives of the popular classes. More recently, the tone of the global sphere is changing rapidly. At the moment, the future of deep integration, liberalisation and even free trade is not certain. After decades of further liberalisation, including harmonisation beyond the border, important states are focusing more on their national development with a much higher demand for protectionism. The current and former empires, the USA and the UK, are leading this development. With the vote of the majority of British citizens to leave the European Union in June 2016 (Asthana et al. 2016), the policies are all about securing the nation state and protecting own industries against foreign industries. This also includes one of the main principles, which is the movement of labour (and capital) that is questioned not only by the political leaders but also by the majority of the population. After the vote for the Brexit, the USA voted in November 2016 for Donald Trump as the new president. Besides his new style of governance, his economic and trade policy in the first weeks has been all about protection and discrediting the existing rules in the World Trade Organization (Francis 2017). This has manifested in different ways. In March 2017, as an example, the G20 financial ministers meeting did not endorse open trade due to the US position. In contrast to earlier statements, it remained very vague and focused on the national economies: "We are working to strengthen the contribution of trade to our economies" (G20 Finance Ministers and Central Bank Governors 2017). Considering these developments, global trade and national policies are probably at a crossroads. With a more protectionist trade regime, it remains an open question how the future trade arena will look in a changing global political environment. In keeping with Poulantzas, we have to rethink not only the current capitalist system, but also the economic and social relations to establish an alternative democratic and economic model that includes fair trade patterns.

Notes

1. Perceptions of the incidents differ in public and academic opinion; see, among others, Alexander (2012, 2013), Alexander et al. (2012) and the documentary film 'Miners Shot Down' by Rehad Desai.

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Index[1]

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