THE CORRUPT PARALLEL UNIVERSE THAT DEFINES SOUTH AFRICA’S CONSTITUTIONAL ORDER AND LABOUR LAWS THAT FAIL SOUTH AFRICA: DECLINE AND LAGGED GROWTH IN A PERIOD OF GOVERNMENT HEGEMONY

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ABSTRACT
This paper explores the aspects raised in the title of this paper from perspectives that need exploration because corruption has become endemic within South Africa. This corruption therefore plays a significant role in retarding the economy and development within the country. In addition the paper attempts to explore very briefly the issue of labour laws and argues that these laws have failed South Africa. All of this the paper argues has resulted in the decline of the economy by virtue of lagged growth which has resulted to certain barriers to black advancement, which has a direct co-relation to impeding necessary economic growth, which is vital to South Africa’s development and economic success in a period of global recession. All of this points to the consolidation of government hegemony in South Africa.

Key Words: Corruption, Parallel Universe, Constitution, Labour Laws, Decline, Lagged Growth, Barriers, Black Advancement, Hegemony

INTRODUCTION
The paper attempts to discuss some important issues within the ambit of the title of the paper. In so doing the parallel universe that encompasses South Africa’s constitutional order post 1994 in terms of corruption is briefly discussed. Secondly the paper attempts to deal with labour laws and argues as to how they have failed democratic South Africa. An attempt is made to clearly show how studies indicate a ten year decline in this regard. Other issues relevant to the discussion will be included were applicable. The use of newspaper articles will be used to advance the discussion in this article. The article does not pretend to capture every subtle nuance that encompasses this important narrative.
In South Africa and many developing countries across the world the corrupt parallel universe defines the constitutional orders of these countries. In the case of South Africa, it has injured the victory scored against apartheid in creating a new democratic constitutional order, post 1994. By the same token, it has in many ways tarnished the revolutionary credentials of the ruling African National Congress (ANC) as the vanguard of the peoples revolution. When corruption becomes endemic to a society, appointments to key public service positions demand candidates who are similarly compromised. It is how the system sustains itself. On the other hand, the issue of dignity must not be disregarded as a factor in the motivation for spending. At the end of the continuum is the all embracing reality that the labour laws applicable to South Africa, post democracy in 1994 has failed the country. It is therefore imperative that all barriers to black advancement in South Africa must be removed, in order that it becomes a winning nation. It is further necessary to understand that, it is now time for Black people to pay attention to playing a major role in the development of agriculture. Let it not be another false dawn for Africa as a whole. The challenge is to build legitimate institutions grounded in the rule of law and respect for human rights. An attempt is therefore also made to briefly show how studies point to ten years of South African decline with particular reference to its financial woes. In this regard the International Monetary Fund warns Africa about exposure to the financial shock. It has to be realized by African leaders that China’s exposure is a risk for Africa and that this reality must be recognized and dealt with. For how long can South Africa remain the economic power house and the largest economy on the continent is a question that requires resolution from the perspective that growth in South Africa will lag and it will and can be overtaken by Nigeria, in the near future.

**THE PARALLEL UNIVERSE OF SOUTH AFRICA’S CONSTITUTIONAL ORDER**

South Africa’s polity today under the ruling ANC is a system defined by two parallel elements, a so-called democratic order, defined by constitutional principles, such as the separation of powers of party and state, so-called excellence and the rule of law. The government however, panders to the deprived and depraved South African population who in the main live under poverty, inequality and conditions of unemployment. This is characterized by increased civil resistance to the policies of the government of the day. “Behind all of this, it can be seen that the government of South Africa in reality is eating away at those more formal requirements, an informal arrangement that protects and promotes patronage, unethical behaviour, ineptitude and self-interest” (van Onselen, 2013: 25). Corruption has become South Africa’s unofficial political economy. It has its own language, rules of engagement and rewards. And increasingly, it is starting to define how the more formal constitutional dispensation functions.

Given the above scenario, van Onselen (2013) states that “it is the reason why the biggest single sotto voce debate in South Africa today is about the Public Protector, Thuli Madonsela, who like Pikoli before her, refuses to prostrate herself before that parallel force. As a result, her formal pursuit of justice is relentlessly held hostage by an informal bulwark against meaningful progress. In her actions, these two worlds clash.” South Africa is usually blind to this. The country suffers a well entrenched ‘silo analysis’ of public appointments. When yet another national police commissioner is found to be wanting, government analyses it from a police perspective. This is a problem. This is symptomatic of a more pervasive attitude. It is worth singling out the justice system and in this regard van Onselen (2013: 25) states that “if corruption is endemic, the government, to sustain itself, must ensure that the police and legal system are compromised and therefore, it is in the government’s interest to appoint people who, for whatever reason, bring with them some controversial baggage. There has to be an inclination...
towards independence or the more formal constitutional system to which they seemingly adhere and that, there has to be a check on the extent on the public decisions made, by such people.”

For example the recent cabinet nomination to head up, the Independent Police Investigative Directorate of Robert McBride, fits the bill perfectly. His apartheid era violence aside, his record in public office as the Ekurhuleni Metro Police chief is one that is severely and fundamentally compromised. As van Onselen (2013) points out that “he has been accused of being dictatorial, misusing state resources and, most notoriously, being involved in a drunken driving accident, has enough baggage to guarantee his compliance with the instructions of those he answers to.” At the very top sits the President of the country whose reputation badly damaged by a series of allegations, and yet he is endlessly capable of manipulating the legal system to avoid formal interrogation. He more than anyone, relies on that informal system to sustain his position. And the justice system is at the heart of this impulse towards self – protection. Occasionally, the informal system protrudes and becomes visible and an individual is found out and removed from office. Then the formal system can be used, ironically, to regulate the informal one. But even that works in the President’s favour, should some future opportunity for the services of a compromised candidate arise.

And so the system self – replicates. Over time, it becomes possible to render the entire structure subservient to those unstated rules and requirements that have long since usurped their official counterparts. An while the public clamours to interrogate how well any member of the public service has complied with their job description, behind the scenes the real test of any good cadre is how well they have complied with the political rules of engagement and the power that underpins them. Van Onselen (2013: 25) points out that “Vusi Pikoli the former Director of Public Prosecutions paid a high price for refusing to comply, but not an unexpected one. It remains to be seen what fate awaits the Public Protector, who went against government in respect to the President’s Nkandla housing estate scandal.” Principles will buy you public praise, like the author in the great textbook scandal in the Limpopo Province, for exposing serious corruption by senior politicians and was asked to leave his post by the ruling party and its government, spearheaded by an incompetent Minister of Education; but if you want actual power one needs to offer up some personal controversy instead, which is why McBride will always prosper where they fail. If you want to understand South Africa today, you have to understand the functionality of corruption. It is systemic. It lurks everywhere, and it is a parallel universe that is increasingly defining the constitutional order that sits above it.

**A CHRONIC CONSTITUTIONAL CRISIS**

There is no doubt that the court case of Judge John Hlophe threatens to damage the integrity of South Africa’s judiciary with dire consequences for democracy and is a serious factor in defining the parallel universe and thus negating the very constitutional order that judges must morally uphold in order to consolidate South African democracy. This must be exemplified by the Constitutional Court which is of seminal importance for the implementation of the democratic dispensation since 1994, in order to give credible and cogent effect to the supremacy of the constitution and a vibrant human rights culture. Devenish (2013:14) states that “As a court, it has been manifestly the most esteemed in the land, being the ultimate guardian of a progressive and universally admired constitution which is the supreme law of South Africa. It has had world class, eminent jurists such as Arthur Chaskalson, Pius Langa, Ismail Mahomed, Sandile Ngcobe and a host of others, who have the courts with distinction. They have left an invaluable legacy that should not be squandered or tainted. It is therefore a matter of profound sadness and regret that its reputation and esteem are now being tarnished by the continuing saga involving Judge
President of the Western Cape John Hlophe in the Special Disciplinary Tribunal, set up by the Judicial Service Committee (JSC).” This state of affairs has its genesis in the serious allegations that Judge Hlophe had attempted to defeat the ends of justice by trying to influence two Constitutional Court (Concourt) judges to give judgment in certain cases in favour of President Jacob Zuma.

Although the matter has been simmering for five years and it was fervently hoped it would reach finality when it was to be adjudicated on by said tribunal, an unprecedented development occurred with potentially prejudicial consequences for the integrity, esteem, and, indeed, independence of the Concourt and its esteemed members. In what can only be described as a bizarre twist of events, the two principal witnesses, Concourt judges Chris Jafta and Bess Nkabinde, have in unprecedented volte face refused to appear before the tribunal. It was argued in purely technical grounds that Hlophe had no case to answer, since Justices Jafta and Nkabinde had refused to give sworn statements to appear before the tribunal to confirm their erstwhile complaint and subject themselves to cross – examination. According to Devenish (2013: 14) “The chairman of the disciplinary tribunal, retired judge Joop Labuschagne, dismissed the objection raised by Hlophe’s counsel that there was no valid complaint, and held therefore that the tribunal would have to address the substance of the complaint.” However in a further development as a result of Labuschagne’s dismissal of the objection, Justices Jafta and Nkabinde decided to institute a review application. Moreover, Hlophe is reported according to Devenish (2013) “to be considering throwing in his lot with the review application and, therefore, it is estimated this could greatly prolong the proceedings, even up to two years. As a result of this anomalous conduct, the motives of the two judges are being openly impugned in the media in such a way that the court, as a whole and its members paper to be embroiled in the most unfortunate and prejudicial episode.”

The issue is – Why have the two judges changed their minds? Who is and who is not, telling the truth? Has any undue pressure been brought to bear on them in this regard? Although these are profoundly painful questions, failure to address them imperils the justice system of the Republic of South Africa. It in realitydowngrades our so – called democracy. The justice system must at all times be premised on integrity, honesty and public esteem. In actual fact these principles have been negated by the government of the day, led by the majority party in Parliament the African National Congress (ANC). This and many other instances of gross interference by government has compromised the state, and has eroded constitutional democracy and tarnished the reputation of the revolutionary struggle led by Nelson Mandela’s African National Congress in less than twenty years of freedom and liberation from the yoke of apartheid oppression. It is therefore, at least the characters of three prominent judges, who will continue to adjudicate and give judgments in the highest courts that are being called into question.

“This saga is a tragic tale of woe that threatens to cast a dark shadow over the judiciary, whose reputation and probity are essential for the operation of authentic democratic government. It could metaphorically leave an indelible stain that will not be able to be erased, or a lingering and foul odour, impregnated into the very fabric of justice. In the words of Shakespeare’s Lady Macbeth, bemoaning her fate: “What will these hands ne’er be clean?” and “here’s” the smell of the blood still. All the perfumes of Arabia will not sweeten _ _ _.” This traumatic state of affairs must be seen for what it is a constitutional crisis of chronic proportions that could do permanent damage to the judiciary with dire consequences for democracy.

LET IT NOT BE ANOTHER FALSE DAWN FOR AFRICA
Some African leaders have argued emotionally that the International Criminal Court (ICC) is targeting Africa. It must be categorically stated in this regard that, it is the culture of impunity that is on trial, not Africa. Leaders must give impetus to deal with the culture of impunity and need to place on the agenda and to cajole Western governments to conform also and there cannot be a culture of selective democracy, when leaders in the West define the culture of democracy on their own terms and continue to castigate, vilify and “hunt down” leaders in Africa and other continents for gross violations of human rights but pay scant reference to bringing leaders such as George Bush, Rumsfeld, Colin Powell, Tony Blair and a host of others to justice and charging them at the ICC for crimes against humanity. The management of justice is selective and this anomaly has to be rectified by world leaders and democratic nation states.

However, the challenge is to build legitimate institutions grounded in the rule of law and respect of human rights (Annan, 2013: 23). It has to be recalled that not for half of a century has there been so much confidence in Africa’s future. Democracy is taking root and modern information and communications technologies have enabled citizens to become more engaged and empowered. After all, Africa has endured false dawns in the past. Despite Africa’s extraordinary wealth of natural resources, poor governance and a lack of transparency have too often led to corruption, exploitation and environmental damage. The impact of climate change is also being seen on water supplies, agricultural productivity and the environment. There has been in the recent past in Nigeria and Kenya extremism and the proliferation of armed groups who pose a serious threat to peace and security. The challenge is to deepen democracy and build effective institutions grounded in the rule of law and respect of human rights. In this regard Kofi Annan (2013: 23) points out the following:

- World governments must turn their backs on the ‘winner takes all’ approach to politics. This has led to abuses of power by the winner and encouraged losers to reject democracy as a peaceful means for change. (This is increasingly happening in democratic South Africa and other African countries). Genuine multiparty democracy provides mutual security to political opponents and encourages them to take part in the process rather than seek to subvert it.
- Electoral integrity must improve (We have seen recently how it has slided in many countries including South Africa). Elections provide citizens the opportunity to debate priorities, choose their leaders and hold them to account without fear of repression and violence, sadly, elections in Africa, as in other places around the world, can become a trigger for conflict rather than a peaceful way to regulate competition for political power. When conducted with integrity, elections bolster democracy, promote development and produce governments that are more likely to represent their citizens’ interests.
- More needs to be done to uphold the rule of law and combat impunity. In many African countries on the African continent that has experienced deadly conflict and gross violations of human rights, even genocide.
- On to many occasions the governments of Africa and its institutions have failed the people by neglecting to bring the perpetrators to justice.”

In a world that is becoming smaller and increasingly interconnected, the diversity of religions, cultural practice and ethnicity is increasingly evident. The need to empower women is cardinal by promoting gender equality on the continent. It is simply wrong that in some parts of Africa, South Africa included that traditions such as child marriage and female and male genital circumcision are still commonplace and defended as acceptable practice. Cohesive and healthy societies rest on the pillars of acceptable constitutional democracy, accountability, the rule of
law, peace, security, development and the respect of human rights. There can be no long – term security without development, and there can be no long – term development, without security. And no society can long remain prosperous without the rule of law and respect of human rights. The ICC is a must for purposes of justice and must not be seen as targeting Africa because it is the culture of impunity that is on trial, not Africa.

LESSONS OF THE 1984 SCARGILL STRIKE RING TRUE FOR SOUTH AFRICA

South Africa’s labour relations are changing. Union leadership and their members are not only diverging, but also that this dynamic can easily replicate in other industries, as was seen in the industrial action among petrol attendants. According to (Sunday Times, 2013: 3) “The well prepared fuel retailers against misrepresented workers reminds of a seminal piece of British economic history. Almost 30 years ago the infamous Scargill strikes in the British coal industry started in 1984 in opposition to rationalizing the state - owned coal industry and ended two years later with the defeat of the National Union of Mineworkers (NUM) and the closure of several loss making coal mines. To this day the strike still attracts attention because it is widely recognized as the tipping point in UK labour relations. Though there are many tangents of analysis, one consistent theme emerges according to Sunday Times (2013: 3) “British unions had become too powerful and through their wage increase demand, caused high inflation and hurt British productivity, the NUM President Arthur Scargill was more militant than workers and followed an all – or nothing, no compromise negotiating strategy, and the Thatcher government could out – wait the strike because of contingency plans drafted back in 1977 in the so – called Ridley plan.

The Scargill strike was an attempt to delay the inevitable; the British national coal industry was losing money and needed to rationalize to stay sustainable. Similarly, wage demands should reflect productivity gains first and cost of living adjustments second irrespective of country or industry. Unfortunately, South Africa has over time become used to outlandish double – digit and more recently triple digit wage increase demands that are clearly out of sync with economic reality. The Sunday Times (2013) points out that “During the strikes, the political popularity of Scargill was only second to the Prime Minister Margaret Thatcher, but his militancy cost ordinary members dearly due to lost opportunities for compromises. There was certainly a mismatch between the needs of the coal miners and the political aspirations of Scargill.” After the strike ended, he unwisely bought a lavish home which gave rise to the popular phrase that Scargill started with a big union and a small house, and ended with a small union and a big house. In South Africa, the fact that fuel retailers practically continued as before because most attendants chose not to strike is clear proof that the union leaders did not truly represent the wishes of their membership. According to the Sunday Times (2013) “Nicholas Ridley drafted a plan to defeat the unions in a nationalized industry like the coal mines by way of building up coal stocks and coal imports. Even though this plan was leaked in 1979, well before the strike commenced, it was largely ignored by unions.” The contingency plans by fuel retailers are similar in that there were no major supply disruptions during the recent strike. On a more macro level, industries are mechanizing their operations to minimize the risk of strikes. As the trend gathers pace, unions will lose more and more leverage, and yet it is impossible that unions do not see the writing on the wall. Union leaders are willing to risk exacerbating the mechanization trend, if only to score some political points.

The Scargill strikes left deep scars in the mining towns and the poverty among the community during that time has become imprinted on the British psyche. This is the biggest problem with industrial action; families suffer because they lose their source of income. The hope remains that
organized labour can catch up for the sake of their members and learn the lessons from three
decades ago.

**LABOUR LAWS FAIL SOUTH AFRICA**

Legendry entrepreneur and businessman Sam Motsuenyane bemoans the stringent labour laws in
South Africa and continues to inhibit the growth of the industrial sector. According to
Motsuenyane, 2013 in Masote) all of this is due to “the unintended consequence of continual
pressure exerted on government by trade unions. If our current labour laws, including the
existing bureaucracy and rampant corruption continue to create an environment where
entrepreneurs have difficulty operating freely, it is going to remain problematic for new
employment to be created and for entrepreneurs to grow their business.” When unions conclude
agreements with workers according to Masote (2013: 2) “There is no regard for how this affects
the unemployed and must be likened to the harsh laws under apartheid, when black aspirations
were hardly borne in mind when the laws and regulations affecting black businessmen and black
women affecting them when they were promulgated. They operated their businesses illegally not
because they wanted to but mainly because of the complexity of the country’s laws, which gave
them no other choice.” Motsuenyane in Masote (2013) indicates that “the government must
concentrate on agriculture because blacks have been left out of the agrarian revolution and
research shows according to him that “in most developed and developing countries, it is
agricultural development that has always been in the forefront and sparked off industrial
development.

Industrialization begins with the processing of raw materials and products associated with all
produce from farming. The time has come for black farmers in South Africa, twenty years into
democracy to pay attention to playing a major role in the development of agriculture, not only as
peasant farmers but to become commercial farmers and thus farming on a commercial scale. If
this development takes place, it will have a positive impact on black industrialization of South
Africa. It must however be realized and acknowledged by all that all of this would be futile and
come to naught, if the labour laws stayed the same in South Africa. Motsuenyane (2013 in
Masote: 2) states that “Black business people who are today expected to play a pivotal role in
finding solutions are, unfortunately still operating on the periphery of mainstream business in
South Africa. It is perhaps necessary at this time of South African democracy and economic
development that, the government led by the ruling African National Congress to learn lessons
from other countries on the African continent. This is due to the all embracing fact and reality
that black economic empowerment has a credibility crisis, due to the slow and unsatisfactory
economic transformation of the country and the slow implementation of policy. The struggle for
economic freedom in South Africa poses a serious threat for the post apartheid generation and
some 20 years into democracy has not yielded any results sufficiently impressive to inspire hopes
in the future development of black industrialists.”

Chris Venter (2013: 2) states that “although agriculture contributes less than 3 percent of South
Africa’s GDP and approximately 10 percent to total formal employment, the agricultural sector
remains strategic in the economy. South Africa has about 13. 5 percent of arable land suitable for
crop production. Arable land is constantly under threat of coal mining. It is therefore imperative
to improve investment in agricultural and rural infrastructure that supports expansion of
production and employment, small – scale farming and rural development.”

**STUDIES POINT TO 10 YEARS OF SA DECLINE**

Goldman Sachs report called the Two Decades of Freedom: A twenty year review of South
Africa released in November, 2013, according to van Onselen (2013: 6) “was built on a wide
range of socioeconomic indicators, makes the case that much progress had been made in two decades of democracy, yet significant challenges remain.” In launching the report, Finance Minister Pravin Gordhan said that “It’s important that South Africans know we are not a dismal country.” Critics have labeled it as myopic and overtly optimistic, calling it “business friendly” but not “poverty friendly.” (In van Onselen, 2013: 6). The ANC has described the report as a balanced and fair assessment. Against this background, it is worth weighing the report’s conclusion against the now substantial number of other international socioeconomic reports, indices and ratings that address South Africa’s condition. Most assessments do not date back to 1994. Nevertheless, over the past 10 years they do provide a comparative point of reference. With regard to South Africa’s financial progress, key reports point to a recent decline in performance. This is significant. The Goldman Sachs report has been widely derided as not reflecting the poor nature of service delivery. By looking at key international indices, however, one gets a different picture of a 10–year decline in standards across a wide range of indicators. This goes some way of explaining the response. The latest World Economic Global Competitive Index according to van Onselen (2013), “released in September, ranks South Africa 53rd out of 148 countries, one position down from the previous year.”


Grant Thornton’s Emerging Markets Opportunity Index, according to the Business Times (2013), released in February ranked South Africa 14th out of 26 countries. In 2009 it ranked 13th. The Economic Intelligence Unit’s IT industry Competitiveness Index, released in August, ranked South Africa 47th out of 66 countries. It was 37th in 2007 (Business Times, 2013). This pattern of performance is not particular to the financial sector. The Human Development Index according to van Onselen (2013) “produced each year by the United Nations Development Programme, is designed to measure the relative level of socioeconomic development in countries. It is widely regarded as one of the most authoritative measures of progress. It focuses on life expectancy, per capita income and education levels. In 1980, South Africa scored an overall rating of 0.621. This year (2013) its score had improved only fractionally to 0.629, although there has been some change in the methodology. Between these two periods, South Africa’s score had dropped all the way to 0.604 in 2005, but it had steadily made up lost ground. According to Van Onselen, 2013: 6) “this year (2013), it ranked behind the Seychelles, Mauritius, Algeria and Tunisia. Brazil, often used as a good comparative example of a developing country, scored 0.730. That put it 36 places ahead of South Africa.” On some indices South Africa has been removed entirely.

“The Trends in International Mathematics and Science Study, which assesses pupils in some 45 countries at Grade 8 level in mathematics and science, saw South Africa’s performance decline dramatically from 21st position in 1995 to 38th in 1999 to 46th and last position in 2003, at which point South Africa withdrew. According to Van Onselen (2013: 6) “South Africa agreed recently to be reassessed. However, along with Honduras, it again finished at the bottom.”

The Corruption Perception Index, Managed by Transparency International, has also seen South Africa’s ranking decline. In 2004 it ranked 44th but by 2009 it had slipped 10 places to 54th. The latest index, for 2012, has South Africa at 69th position out of 173 countries. The index scores
countries on a scale from 0 (highly corrupt) to 100 (very clean). South Africa scored 43. The Index of AfriScan Governance, produced by the Mo Ibrahim Foundation since 2000 to measure governance levels throughout sub-Saharan Africa ranked South Africa fifth out of 12 countries for its 2013 edition. This represents a drop of one place from its position in 2000. Yale University’s Environmental Performance Index, which measures environmental, public health and ecosystem vitality, has been one of the harshest for South Africa, ranking it in its last category of weakest performers in 2012 and at position 128 out of 132 countries. In 2006 it ranked 76th and has therefore dropped 52 positions in seven years. These represent a selection of the more prominent international rankings currently used to gauge different aspects of a given country’s development and progress” (Business Times. 2013: 6).

A trend common to the majority is South Africa’s relative decline over the past ten years. While some boast more comprehensive methodologies than others, and can thus claim greater veracity, most are now serious independent business ventures that place emphasis on their assessment and the methods used to reach conclusions. The Goldman Sachs Report relies heavily on in-house statistics, primarily from government sources to produce findings. Compared with 1994, there are indeed a substantial number of areas in which South Africa improved, but marginally only and therefore no tangible improvement has been noticed, as the country continues to slide significantly under the present so-called democratic government. But over the past 10 years the significant reality is that, there has been a great deal of evidence that demonstrates a decline in performance across a range of areas. This does not augur well for South Africa.

The 10 years of South Africa’s decline is depicted hereunder in Table 1:

<table>
<thead>
<tr>
<th>Index</th>
<th>Most recent position</th>
<th>Past position</th>
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<tbody>
<tr>
<td>Global Competitive Index</td>
<td>53rd out of 148 countries (September 2013)</td>
<td>35th (2007)</td>
</tr>
<tr>
<td>Emerging Markets Opportunity Index</td>
<td>14th out of 26 countries (February 2013)</td>
<td>13th (2009)</td>
</tr>
<tr>
<td>IT Industry Competitiveness Index</td>
<td>47th out of 66 countries (August 2013)</td>
<td>37th (2007)</td>
</tr>
<tr>
<td>Human Development Index</td>
<td>0.629 (2013)</td>
<td>0.604 (2005)</td>
</tr>
<tr>
<td>Trends in International Mathematics and Science Study</td>
<td>SA with from survey in 2007 but re-entered at a different level where only three countries were tested</td>
<td>46th out of 46 countries (2003)</td>
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INTERNATIONAL MONETARY FUND (IMF) WARNS AFRICA ABOUT EXPOSURE TO FINANCIAL SHOCK

Javier Blas and Africa Editor (2013: 2) state that the “International Monetary Fund (IMF) has for the first time warned that sub-Saharan African countries are becoming increasingly vulnerable to global financial shocks, as they intensify their reliance on foreign investors.” The warning comes as frontier markets such as Nigeria, Ghana and Kenya fret about the side effects of tighter monetary policy in the United States. African countries have benefitted over the past three years from investors’ hunger for yield owing to ultra-loose monetary policies in the US, Japan and Europe. Business Times (2013) states that “governments from the region have raised a record $8 billion (about R80 billion rand) in global sovereign bonds, including from several debuts, this year, up from just $1 billion a decade ago. And foreign investors have for the first time become...
active players in some domestic bond and equity markets in sub – Saharan Africa. Blas and Africa (2013) indicate that “African countries should not expect their love story with international investors for cheap and abundant funding to last forever. It must be appreciated that the main factor behind the continuing underlying growth in most of the region is, as in previous years, strong domestic demand, especially associated with investment in infrastructure and export capacity in many countries. However, such investment could be a double edged sword for some African economies that are experiencing deteriorating deficits as they spend on machinery to build the infrastructure. The IMF warned that fiscal and current accounts deficits were likely to deteriorate in the next year. But it added that inflation in the region was expected to remain moderate in 2013 /14 reflecting benign prospects for food prices.

THE DOWNSIDES

- Offshore investors sold a net R600 million in South African bonds in the week ending October 25 and a net R2.1 billion in South African stocks, according to data from the Johannesburg Stock Exchange (November, 3 Sunday Times).
- Growth in credit demand from South Africa’s private sector slowed to 7.55 percent year on year in September from a revised 8.11 percent in August, data from the Reserve Bank showed (Sunday Times: 2).
- South Africa’s slowing economy and frequent labour disruptions risk further sovereign rating downgrades and exclusion of its bonds from global investor lists (Reserve Bank Financial Stability Review, Sunday Times: 3).
- MASS lender African Bank stated that “it will be issuing 685.3 million ordinary shares at a discount of 38.72 percent to raise R5.5 billion. Headline earnings fell 88 percent (Sunday Times, 2013: 2).
- Shares of Northam Platinum fell more than 2 percent after the National Union of Mineworkers gave the junior producer of the precious metal 48 hours notice of its intention to strike after wage talks broke down (Sunday Times, 2013: 2).

SHOULD SOUTH AFRICA HEED THE IMF WARNING

In answering the above, two views are put forward. These views have been expanded upon by Theba Ikalafereng and Lesiba Seshoka that appeared in the Sunday Independent (2013: October 6, 17) under the title should South Africa heed the IMF warning. The arguments are enunciated hereunder as follows:

Lesiba states “Africans are forced to live of the crumbs of the rich and the IMF is perpetuating this. By arguing that poor workers must rein in their demands the IMF is voting to keep the status quo” On the other hand Ikalafereng argues that “the IMF is saying SA’s reputation is at stake over persistent labour unrest. The strikes are costing the nation its global reputation and ability to deliver a better life for all.” The article firstly reviews the arguments put forward by Seshoka.

- The IMF Board correctly highlights the challenges facing the country, such as the inability of the South African economy to grow on a par with other emerging economies. This will lead to increasing levels of joblessness, although South Africa has for many years been faced with jobless growth.
- That growth has failed to translate into an increase in the number of jobs. In essence, that was the thinking behind the failed Growth, Employment and Redistribution (Gear) strategy and policy of 1996, which argued that first there must be growth, then there shall be employment and then redistribution.
The IMF urged South Africa to rein in trade unions by ensuring that there are lower wage demands.

It also recommended that the country support labour brokers, whose practice creates a triangular relationship; labour brokers employ a worker on behalf of a company to fill a vacancy that has always been there. It justifies through a fallacious argument that temporary employment is responsible for a large share of employment growth. Labour brokers do not create jobs, they are simply intermediaries and the practice is tantamount to slavery.

The IMF recommends that the country must move quickly to implement the National Development Plan, a policy framework that infuriates trade unions, who regard it as a neo – liberal project.

Blame is largely apportioned to trade unions for the strikes haunting the country and not to the employers. The IMF therefore recommends that unions must moderate their demands in the interests of the country. But, it has to be realized and acknowledged that South Africa is largely a country of two nations, one extremely poor and black and the other extremely rich and white.

By arguing that poor workers must moderate their demands and that the state must rein in trade unions, the IMF advocates for the continuation of the status quo where the black man remains subservient to a lily – white economy.

The World Bank, another neo – liberal institution, in 2012 argued that with an income Gini coefficient of around 0.70 in 2008 and consumption Gini coefficient of 0.63 in 2009, South Africa had become one of the most unequal societies in the world. It further argued that economic growth has been highly uneven in distribution, perpetuating inequality and economic exclusion.

The report also apportions blame to apartheid as the enduring legacy which denies black people, especially Africans, the chance to accumulate capital in any form, be it land, finance, skills or social networks.

The International Labour Organization contradicts the IMF report by correctly advocating a wage – led growth strategy which it argues will generate a much more stable growth regime for the future.

For example the mining magnate (Motsepe) empowered by BEE policies, pays his miners R5000 per month. A slave wage for persons that create his wealth. The neo – liberal agenda is being pushed by capital in the form of the Motsepe and others in the form of neo – liberals at the beck and call of the IMF.

South Africa is a democratic state, whose constitution has been lauded all over the world. Now, it is the IMF and its neo – liberal capitalist agenda, supported by a South African Government that has lost its way and succumbed to capitalist forces and its BEE capitalist magnates. The IMF wants the country to breach its constitution and rein in the unions. This is now being played out rightfully as resistance by NUM and NUMSA as trade unions in wanting to rein in the government of President Jacob Zuma.

The above expose clearly shows that something is wrong in the state of South Africa. The second salvo in this argument is put forward by Ikafeng (2013: 17). The arguments are as follows:

Africa’s dominant economy is under siege and is facing internal disruptions and external competition from rising African peers who are more attractive and growing at a rate of 5 percent, while South Africa is lagging behind at 2 percent.
The Economist projects that 7 of the top 10 fastest growing economies in the world by 2015 will be Africa. South Africa is not among them.

While the weak global conditions are to blame, as the recent IMF report highlighted, domestic factors such as strikes and policy uncertainty have had an adverse impact on South Africa’s growth, investments and attractiveness. A recent government study indicates that the top five issues facing South Africa are unemployment (62 percent), crime (33 percent), housing (26 percent), roads (22 percent) and corruption (20 percent). There is chronic unemployment for over 20 percent in general and an estimated 50 percent among frustrated youth.

The incessant and increasingly fatal labour disputes in the public and private sector are exacerbating the crisis, and have earned South Africa the dubious and unenviable distinction as the ‘protest capital of the world.’

Without doubt, the darkest hour in post–apartheid South Africa is the Marikana strikes in August last year which claimed 34 striking miners lives, injured 78 and put an undesirable focus on South Africa in every major news bulletin in the world.

The 2013 World Economic Forum’s global competitiveness report shows South Africa, the leading African economy with a GDP of R384.3 billion, has been overtaken by Mauritius with only an $11.5 billion GDP. South Africa has slipped one place to 53 out of 148 nations, from a historic high of 35.

The most cited reasons for the decline are labour discord and a failing education system and healthcare provision.

More than 2 million people protest every year, resulting in a spike of lost working days and the average wage per hour has grown at 9.5 percent compound annual growth rate since 1994. According to Stats South Africa, total labour productivity has declined relative to labour costs since 2007.

The cordial relationship between the government and labour seems all but over. The new government like the old is now perceived as the enemy rather than the champion of the people, who demand rapid progress on the promise of a better life.

At least 75 percent of all public sector workers surveyed cited poor pay (80 percent), pay disparity between managers and workers (75 percent).

These key issues are the dominant theme of the strikes in both the public and private sector and exemplified by growing inequality and income inequity.

According to the United Nations conference on Trade and Development, South Africa has experienced a 24 percent decline in foreign direct investment (FDI) behind Nigeria and Mozambique between 2011 and last year.

There has been a decline in sovereign rating of South Africa as a nation and its major metropolitan cities and its state owned companies. The downgrades by Moody’s Fitch and Standard and Poor together with the protests affect South Africa’s ability to raise capital, repay its sovereign debt, and ultimately compromise its ability to deliver a better life.

CONCLUSION
The paper points to serious problems and challenges that confront South Africa and its economy. It points to the hegemony of the ruling government that has to be dealt with seriously. What South Africa needs is the resolve, trust and partnership between labour, government and all its citizens that rescued South Africa from near ruins in the 1980’s. The working classes who are the majority of the voters, who dutifully take to the polls with the hope of a better life, deserve a
collaborative, listening, peaceful and winning South Africa, and not a deaf government or
sideways by competing labour unions focused in directions that enhance worker rights. Strikes
are necessary but costly to the country. This affects the majority of the working class. It costs the
country’s reputation and ability to deliver a better life for all. It will ruin the goal of eliminating
poverty and reducing inequality by 2030. The government is undoing the good that was achieved
under its revolutionary leadership during apartheid and is negating the legacy of Nelson
Mandela. This is a cause of serious social, political and economic concern. The time has come to
call the government to order.

BIBLIOGRAPHY