APARTHEID SOUTH AFRICA AND THE INTERNATIONAL MONETARY FUND

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INTRODUCTION

At the end of the Second World War, new conditions and rules were established for an international trade and monetary order. These plans - formulated at Bretton Woods in the USA in 1944 - were designed to create the conditions which would prevent a repetition of the world economic crisis of the late 1920s and early 1930s, and at the same time to ensure the world-wide expansion of US capital in the post-War era. Both the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD, or World Bank) were the international financial institutions established at Bretton Woods. They were largely entrusted with implementing and overseeing the 'proper' functioning of this international economic system - the former responsible for short-term balance of payments aid/assistance, the latter for long-term project-related aid. The USA dominated the discussions on the role and functioning of the new international economic system and it succeeded in imposing its free trade, free enterprise ideas as the basis for the world economic order. Newly independent developing countries were, in the following decades, easily integrated through the Bretton Woods plan into the capitalist economic system and bound to its principles and rules: 'without IMF membership, no admission to the World Bank, without conformity to the IMF, then no development aid from the World Bank - a classic example of the carrot and stick principle' (Korner *et al*, 1986:43).

South Africa (SA) was one of the 29 countries that signed the IMF Articles of Agreement on 27 December 1945. As a country whose industrialization and capitalist development had its origins in the flow of international capital, technology and goals, SA has been closely connected with these and other international economic developments. Since the Second World War in particular, the South African economy has become an even more markedly open one - its international trading sector has been and is an important stabilising factor and vital stimulus to economic growth. Foreign investment has played a significant role in SA's economic growth especially in the 1960s. Numerous studies[1] have shown or suggested that if SA is to expand its productive capacity and grow sufficiently to enable it to meet the demands of a post-apartheid society, it will be hard pressed to do so without some role for international trade, capital inflows and technology

transfers in the process of that development.

What implications does SA's integration into the world capitalist economy, and in particular in relations with agencies like the IMF and World Bank, hold for the politics of accumulation in the period of economic and political transformation to a post-apartheid state? Are (will) these international links (be) costless? If not, how do (will) they bear upon the tasks and objectives of economic and political transformation? For as Payer (1974:xi) has stressed, it must be recognised that the 'internal political evolution of a nation is intimately and structurally connected to its external economic situation.' At the centre of this international economic network stands the IMF reflecting, imposing and maintaining, behind a cloak of neutrality, the dominance of Western capitalist interests, most notably that of the USA.

South Africa is a founder member of the IMF. It is an open economy which has been clearly integrated into the network of international trading and financial relations. This article examines and explains the nature and character of SA's relations with the IMF, especially in the period since the mid1970s - ie after the virtual collapse of the Bretton Woods system as originally conceived, and in the aftermath of the oil price crisis, developments which led to significant changes in international economic relations and in the IMF's role within this system. This analysis of SA's dealings and relations with the IMF is fundamentally motivated by the belief that a post-apartheid SA state that is at all serious about transforming the political, economic and social distortions of a century of capitalist development - based on the centrality of a racial form - will ignore or underestimate the role, capacity and power of international agencies such as the IMF, to influence (distort) its chosen path of development, at its peril. Furthermore, an appreciation of the role and ideological predilection of the IMF in the world economy, and of the SA apartheid state's relationship to it, provides a crucial input into the on-going debate on economic and political transformation towards a post-apartheid SA.

THE IDEOLOGY AND ROLE OF THE IMF IN INTERNATIONAL ECONOMIC RELATIONS

The IMF[2] together with the World Bank[3] are the two key financial institutions of the world economy. Both organisations were planned as specialized agencies within the United Nations system at the UN Monetary and Financial Conference at Bretton Woods[4] in 1944, and the IMF was formally established on 27 December 1945. The original functions of the IMF are set out in Article 1 of the Articles of Agreement under which the IMF was established. Its overall aim is to facilitate the growth of world trade,

held to be crucial to the need to generate 'high levels of employment and real income and the development of the productive resources of all members as primary objectives of economic policy'. The major instrument by which the IMF attempts to meet this objective is through loans to member countries who experience short term Balance of Payments (BOP) difficulties, ie those countries unable to earn enough foreign exchange to pay for the imports they need.

The position that the IMF has come to occupy today is, in some ways, a far cry from that envisaged at Bretton Woods. The massive growth in private bank lending to developing countries largely accounts for this change in the IMF's position within the world economy. The funds available to the IMF have:

> Become dwarfed by the huge growth of those (reserves) associated with private international financial markets. No longer the major source of financing of balance of payments deficits, the IMF became responsible for negotiating the terms of a small pilot loan and the successful completion of the negotiations would be a signal for private banks to provide the bulk of the new finance required (Evans, 1985:119).

Thus the influence and weight of the IMF - which Cheryl Payer calls 'the most powerful supra-national government in the world' (1974:ix) is not derived from the quantity of money it lends. Rather it exercises such international power because the granting of its pilot loan to a developing country is the key that can open the door to the (private) international loans that most developing countries need to stay afloat. That seal of approval, as it were, is in general given to countries prepared to accept changes in their economic policy (and implicitly in their development goals and strategy) which the IMF demands. Its criteria for granting such approval are not only technical - for they include ideological preferences against import, exchange and price control - though significantly not against wage control. This crucial role of police officer of the international financing system underlines the power that the IMF exercises. The Latin American Bureau (LAB) concludes that the IMF is:

> the channel that western nations use to supply that financial support and impose the conditions on deficit countries that rein force those development strategies approved by the West. Thus the IMF is one of the key instruments for determining how LDCs ap proach their development problems (1983:13).

This is not to suggest, however, that the role of the IMF derives from some conspiracy - US or otherwise - against the peoples of the world - although it often looks that way given the effect on developing countries and the dominance of the US in the IMF. Rather, given the internationalization of advanced capitalism; its inability to survive if capital and goods were restricted to or sealed within national boundaries; and inter-imperialist rivalries and conflicts between imperialist countries and the ruling classes of developing countries, Mandel argues that:

> borders can be 'held open' to inflows and outflows of money-capital only if everyone submits to certain objective rules of the game, which precisely permit the law of value - i.e. the logic of capital - to arbitrate these conflicts and 'resolve crises'. The International Monetary Fund is merely the embodiment of this objective logic (1980:190).

What this means is that whatever the precise composition of the IMF and whatever the inclination of the governments represented in it 'there is no way to escape its diktats in the long-run, unless the logic of capital is broken, along with the capitalist mode of production and all the international institutions that sustain it' (Mandel, 1980:191). Given the nature of the evolution of the world economy and the relative balance of power relations within it, it is nevertheless true that in practice, the US - not necessarily any particular US government - has dominated the direction of policy and decision-making at the IMF. But this is not to imply that in the absence of this US role/function, the IMF would take on a significantly different character within the world economy - it would not.

As Girvan and Bernal (1982:35) point out it is of fundamental importance to the IMF's mode of operation that its underlying political and ideological objectives are 'concealed behind a veil of technical and scientific analysis that pretends to be free from political and ideological bias'. However, as even the IMF's official historian[5] has noted, the organisations concern with politically sensitive subjects such as exchange rates and exchange restrictions mean that the Fund was bound to be politically controlled (Gisselquist, 1981:217). That control is exercised by the large western industrial nations - most notably the USA - and derives from the dominance of the USA and other western industrial nations in the voting and hence decision making process that is exercised by the 22 person Executive Board of the IMF - where the real power rests. The USA, France, UK, West Germany, Japan and Saudi Arabia are permanent members of this Board. The

USA alone by virtue of its contribution to the Fund controls 20 pc of the votes and a group of powerful western European nations holds 28 pc of the votes. Less developed countries (LDCs) exercise only a very limited influence in the Fund's decision-making process. A totally united group of developing countries (in practice very hard to achieve) representing nearly 75 pc of the total population of the IMF countries can muster no more than 35 pc of the votes. And the USA has an effective veto on major changes in IMF policy (including the allocation of votes) as such decisions require an 85 pc majority. In practice too, a summit meeting of the leaders of the biggest western nations, either the Group of Five or Group of Ten, has always preceded major changes in IMF policy.

This control over the direction of international economic relations is reinforced in numerous other ways. These include the fact that it is an uncontested tradition that the Fund's managing director is a West European and his deputy is a USA citizen and that IMF staff members, even those from developing countries, are trained in the conservative tradition of the IMF and invariably support the United States position. Johnson (1977:108) comments that there is a strong tendency for IMF and US Treasury staff to be 'virtually interchangeable and even non-US staff tend to be selected on grounds of their congeniality to the US viewpoint.' Thus given the inherently political nature of the IMF and its dominance by the Western industrial nations it should not be surprising that it plays a crucial role as the 'financial sheriff' of the West and especially in recent years of the transnational banks that increasingly lend to developing countries.[6] As Abdalla concludes

> Through appropriate conditions for its stand-by agreement and the country's stabilisation programme, the Fund imposes on the borrower the behaviour patterns which reassures transnational finance and the West as a whole. Governments which agree to be economically timorous, socially conservative and politically docile can thus hope to obtain from the IMF a certificate of good behaviour, which is then supposed to give a green light to purveyors of commercial credit (1980:51).

The principle of political neutrality is thus a totally deceptive one. For the IMF military dictatorships, including South Korea and Brazil, are considered exemplary. It was, eg, only after the overthrow of the Unidad Popular that cooperation with Chile was regarded as satisfactory. Given its role within the world economy, the IMF finds it easier to deal with undemocratic, authoritarian governments who are likely to have fewer qualms about

executing the specific and concrete policies that are the inevitable consequence of the IMF's monetaristic, laissez-faire philosophy. A member of the IMF staff is reported to have said to Rolf Knieper, 'not without a certain pride', that

> the establishment of the military dictatorship in Ghana was the direct consequence of an IMF mission: a democratic government organized along parliamentary lines would have been incapable of effecting the stipulated course of action with due severity (Knieper, 1983:42).

If this is all that apparent why, it may be asked, do most developing countries retain their membership - and so find themselves having to accept the usually harsh economic prescription of the Fund? In short, what choices do developing countries have in regard to their relationship with the IMF?

Given the economic or market dominance of the major Western industrial countries, the resulting inequalities of trade, investment and accumulation on a world scale, the often depressed economic status of many nominally independent developing countries still reflecting the structural imbalances of a colonial legacy and limited non-capitalist scores of finance, among other factors, most developing countries remain tied by a tight leash to their Western creditors. At the centre of this creditor network is the IMF. Hence membership of and virtual submission to IMF dictates become crucial to the continued flow of loans from Western countries and major international institutional sources. Many developing countries are told by Western governments and private international banks that no rescheduling of debt or provision of credit would be made without a prior agreement with the IMF. Those that resisted (for example Jamaica, Nigeria, Tanzania, at different times) found themselves facing severe economic and political crises.

Even Warsaw Pact countries such as Poland, Rumania and Hungary which have significant trading and debt exposure to the West have had little choice but to join in order to qualify for further loans or to have their debts rescheduled. In Poland's case private international banks were not prepared to grant it further unsecured loans or begin debt rescheduling talks unless Poland applied for IMF membership and so allowed its 'reconstruction programme' to be monitored by this so-called independent international agency (Posulla, 1984:68-9). However, while most such countries have little choice but to go along with IMF conditions, the benefits of such associations (especially to the dominated classes) are dubious to say the least. It is far from clear that the objectives contained in Article 1 of the IMF statutes - balanced growth of world trade, higher

levels of employment, rising real incomes, etc, have been facilitated by the IMF's method of operation - in particular the austerity programme that is the usual precondition for loans or access to private loans. On the contrary, as Knieper observes:

> mass unemployment, pauperization and inflation are frequently the consequences of such austerity programmes. Moreover there has so far been no indication that these negative consequences are merely the trade off for a long-term economic recovery: not one of the countries included in the IMF programmes can be cited as proof for the postulate that employment levels and real incomes rise following a preceding phase of 'purging' austerity. (1983:43).

IMF 'assistance', therefore, is hardly renowned for its success - except of course if one views this from the perspective of Western capitalist interests and sometimes national capitals who use the IMF adjustment programmes as a justification for rationalization, cutting social programmes, pushing down wage rates, etc.

All this is not to say that developing countries have alsolutely no choice or strategy to 'counter' IMF prescriptions. Such a strategy will, however, depend crucially on the class representative basis of these country's political apparatus which will determine its development path, external strategy and willingness and determination to carry through this strategy in the face of admittedly difficult conditions before it. The politics of the present international economic system do not allow for easy solutions. How can the IMF - an important and largely successful instrument for exercising Western capitalist interests in the international financial system - be changed from within? The IMF will only take on a new role as a consequence of fundamental changes in power-relations between nations and between different groups of people within nations (LAB, 1983:14).

SOUTH AFRICA'S RELATIONS WITH THE IMF

The decade 1975-1985 coincides with the period in which the role of the IMF as the policeman of Western economic interest underwent certain significant changes. Its role as determined at Bretton Woods in 1944 arose out of an international economic environment that was based on fixed exchange rates. It was on that foundation that the IMF functioned from the end of World War II to 1971. The period immediately after the 15 August 1971 decision of the US to unpeg the dollar from gold (ie effectively dismantling the fixed exchange rate regime established at Bretton Woods)

was characterised by a certain degree of uncertainty and ad hoc policy measures and actions in international economic relations.

In the wake of the violent spasms that racked the world economy after the 1973 oil price shocks it became clear that 'adjustment' to these new conditions was being achieved without design or guidance. The IMF was at this time grappling with re-defining its role in these new conditions. Thus in a sense, the explosion of IMF loans after the oil price hike of 1973 and the commodity price collapse of 1975/76 occurred under conditions in which the IMF, for so long the centre of the world capitalist economy, had no clear role. These were problems that the IMF was not designed to cope with. Amendments to its Articles, first initiated in 1974 and made effective in 1978, and discussions over new guidelines for conditionality, finalized in March 1979, are evidence of this search for a new role for the IMF. Tensions within industrialised countries evidenced, for example, by the failure of OECD countries to coordinate economic policy in 1976-78; the growing power after 1973 of OPEC countries in the world economy and the fears in the USA about the decline of American hegemony (Bradford, 1983:670); the failure of private banks to impose conditionality on borrowing countries (eg Peru); the mounting, and increasingly short-term, borrowings of developing countries, all contributed to the unsettled state of international economic relations in the second half of the 1970s.

By 1982, however as Bradford notes (1983:694), there was a significant resurgence in the role of the IMF in the world economy. With Third World debt mounting and default and rescheduling on everyone's lips, private bank lending, especially to non-oil developing countries experiencing BOP problems, could be kissed good-bye. Thus the IMF was once again asserting its uncontested position at the centre of the international financial stage bringing greater 'discipline, stability and growth' to an increasingly 'chaotic' international borrowing market - or so it seemed. In fact, this was one of the first visible signs that the reactionary fundamentalism of Reaganism and Thatcherism was succeeding in reasserting the greater hegemony of capitalist relations in world economic affairs.

THE IMF AND THE APARTHEID STATE c1975 - c1985

South Africa's membership of the IMF coincides, except for the first three years, with nationalist Party apartheid rule. Smuts, in what was to be his last term as United Party premier, had displayed his 'renowned international statesmanship' in the creation of the United Nations system which included the IMF and the World Bank. Behind its facade of political neutrality the IMF, despite the increasingly strident and forceful condemnation of SA's apartheid policy from the UN, for long felt itself under no

obligation to question either the economic or political system of the only country in its membership practising legislated racial discrimination. That only changed in 1983 and only after popular and workers' struggles (that intensified after the 1973 strikes and the 1976 Soweto uprising) had brought into question the profitability of continued foreign investment, and in East/West terms, the stabilising political role of the apartheid state in this region - both crucial elements of western interests in Southern Africa. It is now evident that these Western interest groups - despite some evidence of tension among them - are seeking to influence the direction of political development in SA so as to ensure the continuation of this country's present place within that sphere.[7] The international economic system, and the IMF in particular, with all its power to open and close aid and loan 'doors', will be a significant though unseen part of any western package deal working towards a 'post- apartheid SA of a special kind'.

Let us now look briefly at the nature of the relationship between the apartheid state and the IMF, concentrating mainly on the last decade or so. Table 1 shows SA's borrowings of the IMF Funds representing purchases on its credit tranches[8] and credit facilities such as the Compensatory Financing facility[9] and drawings of SDRs[10] between 1947 and 1985.

TABLE 1 SOUTH AFRICA'S PURCHASES OF IMF CURRENCIES
1947 - 1985 (in SDRs millions)

1947 - 1958	46.2	1970	125.0
1959	-	1971-74	-
1960	12.5	1975	91.2
1961	25.0	1976	390.0
1962-67	-	1977	162.0
1968	62.0	1978-81	-
1969	66.2	1982	902.2
		1983-4	-
		1985	70.0

Summary:

1947 - 1982	1882.3
1983 - 1985	70.0
Total	1952.3

Source: International Financial Statistical Year-books (1985, 1986).

South Africa's IMF purchases and drawings are placed into perspective when compared to the use of IMF funds by other countries, firstly in Southern Africa, and secondly in its IMF country classification. Table 2 shows that between 1947-1984 SA's share of IMF purchases amounted to nearly 50 pc of all purchases of IMF funds by Southern Africa states.

TABLE 2 SOUTHERN AFRICAN STATES' PURCHASES OF IMF CURRENCIES, 1947 - 1984
(in millions of SDRs and as a percent of total IMF purchases by Southern African states)

	1947-79	1980	1981	1982	1983	1984	Total 1947-84	%
Lesotho	0.6	-	-	2.0	-	-	2.6	0.1
Malawi	35.9	24.4	30.0	14.7	34.2	37.8	277.0	4.6
SA	980.1	-	-	902.2	-	-	1882.3	49.3
Swaziland	1.9	-	-	4.3	10.0	-	16.2	0.4
Tanzania	138.0	40.0	15.9	1.7	6.1	-	202.3	5.3
Zambia	439.0	50.0	359.3	41.5	188.4	147.5	1225.7	32.1
Zimbabwe	-	32.5	37.5	-	153.6	89.9	313.4	8.2
Total Regional Purchases							3819.5	100.0

Source: International Financial Statistical Yearbook (1985); Seidman (1985)

Notes: 1. Zimbabwe did not receive any IMF credit under the minority Smith regime.

2. Angola, which is not an IMF member, Botswana, which made no drawings on the Fund and Mocambique, which only joined in 1984 are not included here.

The IMF clearly regards SA as the key to its plan for the 'economic development' of Southern Africa. The Fund has frequently attempted to influence other Southern African states to open or increase their dealings with SA. For example, in 1980 Zambia was asked - amongst other policy changes - to re-open its trade routes to SA in return for IMF assistance. As recently as the 1984 IMF/World Bank meeting, official SA delegates and Western commercial banks lobbied strongly to boost SA's role in the economic development of the Southern African region. Seidman (1985:119) notes that the SA delegation was 'delighted' with the outcome of these discussions.

TABLE 3 PURCHASES FROM THE FUND : 1947-1985 (SDR millions) NON-OIL DEVELOPING COUNTRIES WHICH ARE ALSO MAJOR EXPORTERS OF MANUFACTURERS*

Country	Total	% of Total
Brazil	5224.1	
Argentina	3706.2	
Yugoslavia	3624.2	
Korea	2489.9	
South Africa	1952.3	10.16
Portugal	912.9	
Israel	563.4	
Malaysia (incl. Singapore)	465.9	
Greece	282.3	
	19221.6	

Notes: * Excludes Hong Kong for which separate statistics are not provided in the 1986 International Financial Statistics Yearbook.
Source: International Financial Statistics Yearbook (1986).

The IMF has since 1980 classified SA as a 'non-oil, developing country'. Within this category SA was placed in a subgrouping of 10 countries classified as 'major exporters of manufactures'. SA's share of IMF purchases and drawings, as compared to other countries in this sub-group, amounted to 10.16 pc of all purchases/drawings between 1947-1985. It has in that time drawn more from the Fund than Greece, Malaysia, Israel and Portugal (see Table 3) but not more than Brazil and Argentina (both of whose recent debt problems have led to large borrowings since 1983), Korea and Yugoslavia. However, if one excludes purchases and drawings since 1983, the year in which SA's borrowings from the Fund were partially restricted, SA ranked second behind Yugoslavia as the largest borrower from the Fund in this sub-group. Its drawings/purchases make up almost 20 pc (19.06) of total IMF purchases.

SA received its first stand-by credit arrangement (loan)[11] from the IMF in 1957/58. Like the UK's stand-bys of 1957 and 1958 these arrangements were agreed to without conditionality[12] or phased disbursals (Gisselquist, 1982:206), which even in those early formative years of IMF lending were being imposed on other borrowers, most notably the Latin Americans. This rather cosy relationship was to characterise SA-IMF dealings throughout the history of the IMF and in many respects continues to this day.

The Seidmans (1978:75) note that by 1972 the IMF was still providing almost 60 pc of all short-term non-direct investment funds available to SA from the central government and banking sector. This (unreferenced) figure appears oddly high. Yet if this type of funding was even half of this, the Seidman's correctly claim that this:

> reflects the supportive role played vis-a-vis South Africa by this official financial institution, controlled by the Western developed nations. In particular, the IMF provided a critical source of funds to off-set SA's chronic balance of payments deficits.

This BOP support, provided by way of loan agreements in the mid-1970s and again in 1982, best illustrates the special nature of the relationship between SA and the IMF. The loans to SA should be judged against the IMF's own lending policies rather than against any other norm in order to determine the extent of any preferential treatment received by Pretoria in its dealing with the IMF. As Payer (1974), the LAB (1983), Adballa (1980), and numerous other authors show, some IMF member countries (clients) do receive 'friendly' and 'lenient' treatment from the Fund acting as the conduit of Western capitalist interests (the patrons). This is better explained by

looking at the general background to the mid-seventies loans, and then at the IMF meetings of January and November 1976.

The IMF provided SA with credits of SDR91.2m in 1975, SDR390m in 1976 and SDR162m in 1977. These mid-1970 borrowings were, according to SA and IMF sources, in support of the SA government programme to strengthen the country's BOP position. The SDR160m purchase from the Fund announced on 15 November 1976 (IMF Survey), for example, was made under the Fund's Compensatory Financing Facility (CFF) with respect to an export short-fall experienced by SA during the 12 month period ended August, 1976. The success of the US policy to depress the price of gold in the mid-seventies (directed mainly at the USSR and France) and carried out partly through the IMF gold sales, badly affected SA gold exports and hence its BOP. Despite SA's efforts to cut gold production as a counter to the falling gold price, with her 'gold crutch', as Johnson calls it (1977:110), 'knocked out from under her South Africa slid rapidly into a deep recession'. Clearly, the current account of SA's BOP had weakened from about 1974 as a result of the decline in the price of gold, the prolonged recession in SA's main trading partners, increases in the cost of imports because of inflation in the West, the increase in oil prices and what the IMF called 'expansionary demand management policies' (IMF Survey).

The case that SA put to the IMF thus emphasised mainly externally induced factors, lagging exports, declining reserves and a deterioration in the BOP. But there were other factors affecting the BOP as well, such as the rapid increases in defence expenditure which led to the budget deficits and, in turn, to increases in money supply, to inflation, to a weakening rand and, finally, to BOP problems. From 1972 to 1975 defence expenditure, according to the Centre for International Policy (CIP) (1978:1), rose by 97 pc in real terms. The confidential IMF Study of April 1977 noted that 'defense expenditure has been a major cause of the rapid increase in total current expenditure' (CIP, 1978:1).

Though defence and law and order expenditure had been increasing from the early 1970s, following internal resistance and external concerns (Namibia), the sudden *urgency* for funds around January 1976 - the month of the first application to the Fund in that year - must be placed within a wider context. As Johnson so dramatically notes (1977:111)

> By January 1976 all eyes in South Africa were fixed upon a single object - the advance of Cuban troops towards the Namibian border ... Beside this all the crises of the 1970s paled. The thing which Pretoria had so long predicted, but so little really believed, had come to pass. A communist army was marching through Angola towards her.

Soweto - the single word that has come to symbolize the uprising of 1976/77 whose roots were in themselves not unrelated to the recession - was to prove a major influence in the further downward drift of the economy. In the 'politically sterilised' offices of the IMF Executive Board these matters must have loomed large, but were never raised directly.

At the 21 January 1976 Executive Board Meeting in Washington DC the first SA loan application for that year was opposed on *economic* grounds by the Executive Director for Belgium, Austria, Luxembourg and Turkey, J de Groote, who argued that SA with one of the world's largest gold stocks to back up its currency reserves might not really need the Fund's assistance and might easily be expected to be a net contributor to the Fund rather than seek its aid. He was also critical of SA's conservation policy of 'cutting back production every time the world price rose' and of 'keeping gold off the market' rather than selling it at lower prices to cover the BOP deficit. He concluded 'it could be argued that the current account deficit expected in 1976 was not entirely beyond the control of the authorities' (CIP, 1978:2).

The application was also opposed by AW Tameogo, the executive director representing 17 West African nations, who stated that SA could raise the money it needs by using its gold as collateral. Tameogo said that SA's problem was 'long-term and structural, its treatment of the Black population' whose 'education is not free' and whose wages and salaries are 'very low relative to those of Whites. The distribution of income and of opportunity in general (is) heavily weighted towards the White population. In the future when SA needed increasingly skilled and literate workers to compete in the world markets it would not have them' (CIP, 1978:2). Both these arguments were carefully worded in economic terms (the only argument overtly acceptable in the IMF). However, the application was backed by the US and UK who both spoke strongly in favour of the request. Peter Bull, representing the UK (Labour government), stated at this January meeting that the stand-by arrangement 'would give the (SA) authorities ... some feeling of international support which they deserved' (CIP, 1978:5). The request was approved.

In November 1976, five months after the Soweto uprising began, SA returned to the IMF with another aid request - this time under the CFF. Whereas to gain approval for its earlier standby SA had merely to show a need and a programme to correct its BOP, for the CFF (a temporary export shortfall facility) SA had to argue that its BOP problem was caused by factors outside its control. An IMF staff analysis of SA's export performance supported SA's request for aid. However the staff analysis was severely criticised by some of the Executive Board directors at the IMF

meeting. Executive Director Dini, representing Italy, Spain, Portugal and Malta, accused the IMF staff of rigging the Funds own statistical formulas to favour SA's case. He found the analysis 'suspect' because its estimate of export earning shortfall happened to coincide exactly with the maximum amount SA could request from the CFF. The West German delegate, Pieske, also found that coincidence remarkable and flatly stated that the projected shortfall had been 'tailored to the size of the requested drawings' (CIP, 1978:3). However, the US Executive Director found the staff's handling of the statistics 'entirely reasonable' and SA got its loan with US and UK support. Interestingly (whether true or not) the confidential April 1977 study of SA quoted US sources as stating that foreign investment in SA paid the highest return of any foreign investment in the world - a fact that along with the high strategic value of SA's mineral exports and SA's stabilising role in the region goes far to explain the enthusiasm of Anglo-American support for the apartheid regime. Both countries have considerable interest in SA - as we shall note again shortly.

Over the 40 year history of the IMF it is extremely rare that applications for loans that reached the executive board of the IMF are debated at all. In fact any request that reaches the Executive Board is assured of approval (CIP, 1978:3). Thus the objection to SA's application was unusual. Yet, despite this, the dominance of the US and UK vote on the IMF was sufficient to steamroller these requests through. The continued IMF support for SA in 1977 is evidence that, while, on the one hand, the then Carter administration was castigating what it called the 'white supremacist SA regime' in public, it was, on the other hand, quietly greasing SA's palm (CIP, 1978:3). However, as a report in the US weekly *Nation* (16 Sept 1978) notes, on certain occasions, such as the SA and Argentinian requests of the mid-seventies, the Fund has come under severe criticisms from its own (non-US) executive directors but has been supported by the US executive directors, who invariably endorse IMF staff procedures:

> Argentina and South Africa are two of the countries that gained by these procedures according to the objecting executive directors; Jamaica and Peru are two that lost. The former two are among the worst human rights violating regimes in the world today, while the latter two are at least attempting to follow democratic or Populist courses acceptable to a broad majority. Already, even without the discretionary power of the Staff, the IMF's general rules of condi tionality are structured to favour undemo cratic regimes willing to impose painful austerity programmes on the poor majority, usually by violence (*Nation* 227, 16 September 1978).

Gisselquist (1981:224) notes that the IMF loans to SA in 1976/77 helped to steady SA's foreign bank creditors in the face of the Soweto riots, which may also have been the intention behind the loans of 1960/61 following Sharpeville. Thus the IMF, and especially the US and UK vote within it, played an important support role by overriding economic and the obvious but unvoiced political and moral objections to support - in times of political uncertainty - a member country which was closely integrated into its international network of trade, investment and strategic interest. In fact the IMF BOP assistance to SA for the 2 years 1976/77 was greater than the combined IMF assistance to all other African countries for the same period. In those 2 years only 2 other countries, Britain and Mexico, were bigger beneficiaries of IMF aid (*Washington Post*, 24 December 1977, A5).

The years 1977-81 witnessed an increasing deterioration in the state of the world economy - which affected most developed and developing countries. Problems of unemployment, inflation and mounting debt dominated international financial discussions. By the early 1980s 'fears' that the IMF was going soft on developing countries were being dispelled following the Thatcher (1979) and Reagan (1980) electoral successes. A much tougher line as regards financial assistance to developing countries was beginning to emerge. SA Finance Minister Horwood, however, was able to report at the annual IMF-WB meetings in these years that SA was doing rather well, having turned around the 1974-76 BOP deficit. He attributed the success to SA's monetary and fiscal restraint. However, in 1981 with the gold price declining sharply from over $800 an ounce and imports surging, SA once again ran up a deficit on the current account of the BOP in the order of a massive $4380m. By mid-1982 when it appeared that there was little likelihood of an improvement on the current account, SA, despite numerous denials by top financial officials (*Financial Mail*, 10.09.82:1235; 08.10.82:147) approached the IMF for a stand-by loan of $1.1 billion (CIP, 1983:1). SA had already drawn $122m from its reserve position in the Fund and declared its intention to borrow an additional $132m through the SDR account. These are automatic and non-conditional borrowing rights that a member may choose to exercise.

SA's approach to the Fund was made in mid-1982 (*Financial Times* (London), 25.01.83) but on USA advice[13] was not announced until October 1982 - a few weeks before the IMF executive board meeting. The expectation that the application would be controversial was to prove correct. Opinion ranged from those who urged that the loan not be approved under any circumstances[14] to those who stated that the loan should be approved on condition that SA abolished 'apartheid imposed' rigidities etc (*Economist*, 16.10.82; *New York Times*, 20.10.82). Thus the *Economist* wrote:

> The loan should come in the normal way with conditions attached. Unfortunately, in its anxiety to avoid trouble the IMF is tempted to pretend that apartheid is economically speaking an irrelevance. That is rather like visiting Cape Town and overlooking Table Mountain. An IMF that feels obliged to tell other borrowing member countries to raise food prices (e.g. Egypt); to devalue currencies (e.g. Sudan) and temporarily to reduce living standards (e.g. almost everybody) should not remain silent about labour-market rigidities in SA (16.10.82).

Others, such as the *Wall Street Journal*, were concerned that any moves to deny SA the loan would amount to a politization of the Fund. However, they continue:

> That's not to say we're wild about the idea of an IMF loan to SA, or any number of other countries for that matter. In our view, SA has a fundamentally sound economy and it could easily bridge its temporary balance of payments problems by going to commercial banks for a loan. It would pay a higher interest rate, but with world credit already stretched so thin we can see no reason for taxpayers to subsidize those who can make it on their own (03.11.82).

As is evident from these two quotes, objections to the SA request took various forms and emanated from various quarters. Five IMF executive directors lodged strong technical and economic arguments against the loan at the Board's meeting of 3 November 1982. They argued that the SA loan did not meet the standard of conditionality imposed on other borrowers, in addition to questioning the need for the loan based on IMF predictions of a $1.6 billion SA trade surplus for 1983, and a debt service ratio of 7.9 pc, expected to drop to 7 pc in 1983. It was pointed out that SA was creditworthy enough to meet its requirements without any difficulty on the international capital market. Korner *et al* (1986), commenting on these arguments, note that it was likely that the 'SA regime was primarily interested in the aura of international approval which goes with IMF loans and (that this) would thus demonstrate to critics and sceptics at home and abroad how ineffective UN boycott calls are'. The fact that the loan was only partly drawn upon and repayment began earlier than scheduled adds weight to the validity of these arguments.

Specifically it was further argued at the Board meeting: (1) that the

loan package was heavily front-loaded, ie that SA got 80 pc of its $1.1 billion before fulfilling any conditions at all; (2) that SA had exercised inadequate budget restraint, citing its heavy defence expenditure; (3) that there was insufficient monetary control, citing as an example the subsidies to White farmers; (4) that the distortions and artificial barriers to employment and job mobility created by apartheid had to be among the conditions set by the IMF before it approve the loan; (5) that the decline in SA's interest rate shortly before the meeting and the move by the SA reserve bank to lower reserve requirements for commercial banks were contrary to the restrictive monetary policies that the IMF would normally insist upon.

Some Western representatives did criticize the contents of the loan programme. For example, there was broad concensus on the need for SA to undertake structural adjustments in regard to labour market rigidities but the directors differed on whether or not this should be a condition of the stand-by loan. Altogether seven executive directors, representing 68 countries, refused to support the loan[15] and nine called for a postponement. However, executive directors representing the USA, Canada and Western Europe backed the loan. This latter group vote added up to 51.9 pc of the IMF total and the loan was approved.

Evidence to the effect that SA received preferential treatment from the IMF in this instance also came from other sources. The objections raised by these sources - and I have omitted those already raised by the IMF executive executive directors - include:

1. that 60 pc of the package was a loan under the CFF, which carries much easier terms of condi tionality. This division would normally have to be made after an analysis of the precise nature of the BOP problem. But as Professor Richard Eckaus of the Massachusetts Institute of Technology notes the question was not addressed : 'It was simply ignored by the IMF in its consideration of the financial assistance' (1983:641);
2. that the Fund at the time had pressure on its resources from, and in general favoured, two types of borrowers: on the one hand lower income countries (with less per capita income), and on the other, countries whose debt requirements were much larger than SA's. Compared to these other (1982) borrowers (i) SA's debt problems were insignificant and (ii) its per capita income was much higher. Therefore SA's request at that time was unusual, coming from a country which was of neither type. It therefore ought to have had to put up a very convincing case to secure the loan - which it appears it did not have to;

3. that the removal of certain SA policies, eg dual exchange rates, imports surcharges, etc, was not made a condition of the loan, although these policies were generally anathema to the economic philosophy of the IMF;
4. that it was not clear that SA was a 'developing country' which was necessary for it to qualify for the CFF. This CFF was, incidentally, the largest such loan to any country in the Fund's history at that time. (SA is now classified by the Fund as a 'non-oil developing country').

A broader range of objections to the SA loan would be hard to work up. Yet the loan was approved.[16] However the international outcry, especially from the UN, did have some effect. At the 20 June 1983 meeting of the IMF its staff presented a report critical of apartheid on economic grounds - the first in the IMF's history. The report found that apartheid impedes the optimal utilisation of SA's resources, especially by creating labour supply bottlenecks. It goes on to say that apartheid does not have a short term effect on the BOP but that its effects are felt in the medium and long term. The CIP (1983), commenting on this analysis, notes that SA could no longer count on automatic access to some of the IMF's conditional facilities unless it dismantled apartheid. Until then SA would have available only the low conditionality facilities it used in November 1982. However, this would still have given Pretoria $1.5 billion.

And after much debate at the US Senate and House, and its respective banking committees and sub-committees, an anti-apartheid amendment to a Bill authorising an increase in the US quota to the IMF was agreed upon. The US law now requires that the US oppose SA loans unless the Secretary of the treasury certifies in person before the banking committees that the loan conditions would reduce the distortions caused by apartheid. On request of either the House or Senate Banking Committee, the Treasury would have to demonstrate: (1) the loan would bring about a substantial reduction of the pass laws ('restrictions on the geographical mobility of labor'); and (2) South Africa could not raise the money elsewhere. Fur-thermore, the administration would have to give a three-week public notice of another IMF loan to South Africa (CIP, 1984:7). The amendment leaves the US with enough 'wiggle room'. US support of IMF loans to SA was not absolutely prevented. It was only restricted - and restricted significantly in ways that ideally suit 'reform minded thinkers' both in SA and abroad. Both the IMF and the US rebuke of SA's apartheid practices followed the escalation of popular and worker resistance to the apartheid regime that could be traced back to the early 1970s. The struggles within SA and the implica-

tions this had for continued profitable investment and trade in SA and other strategic, military and stabilising functions that SA performs within the world capitalist system was the real reason underlying this small shift in the stance of the West. They would be hoping, by taking such a position, to win over segments of the dominated classes to a solution to the SA crisis that ensures the continuation of international capitalist interests.

SOUTH AFRICA'S PLACE IN THE WORLD CAPITALIST ECONOMY

In 1978 President Carter's National Security Advisor, Zbigniew Brzezinski identified Iran (still under the Shah), Brazil and SA as 'regionally influential nations' noting that changes within these countries will have profound consequences throughout the areas in which they are situated and in the major centres of world capitalism (Petras and Morley, 1981:6). SA's particular role within the global structure of capitalism is, like Iran (at the time) and Brazil, that of serving to limit the scope and possibilities for political and economic changes within smaller and weaker states in these regions. Factors such as its constellation of Southern African states initiative; its vital transport and communications network in Southern Africa; its active market penetration of neighbouring states; its employment of thousands of workers from Lesotho, Mozambique, etc; its regional investment; numerous military adventures and support for UNITA and the MNR, are all indicative of SA's involvement in this region, and of its destabilising capacity. SA is very aware of the role it plays in this region, within this sphere of Western interests, as is evident from the reaction of top government ministers and officials to the threat of Western disinvestment and sanctions. These officials are quick to point to the damage, both economic and political, that would befall SA's vulnerable neighbours in the event of such action. These include threats to cut off grain supplies passing through SA to neighbouring states.

The West, too, is well aware of the economic collapse and consequent political destabilisation that will follow any punitive measures SA takes against countries as far north as Zambia and Zaire, hence the reluctance of the West to impose full or tougher economic sanctions against this country. But these strategic concerns, arising out of East/West struggles, are not the only ones that SA plays upon. There are, in addition, financial and economic factors that make the fate of South Africa of no small significance to advanced capitalist countries. These are familiar and well-worn arguments and will be noted here only in the briefest terms. Large scale Western (US, UK, West German) investments and loans to SA, mainly by multinational corporations and international banking institutions, generate a substantial proportion of earnings for specific firms and countries in the

core areas of the capitalist world economy. Especially during the 1969's and early 1970's, SA experienced rapid industrial growth and the inflow of large amounts of foreign capital. The reasons for this, as Petras and Morley point out, are apparent. SA (like Iran and Brazil)

> possesses raw materials of great value to the industrial countries, they have substantial earnings that generate a substantial market for exports, and they are ruled by regimes that facilitate the inward and out ward flows of capital and can contain the discontent of laborers and nationalists. As the industrial processes in the advanced countries have become more sophisticated during the past several years, it has been necessary to increase the flow and efficient production of raw materials that feed in to these processes (1981:16).

It is these profitable outlets and strategic concerns that worker and popular struggles are now threatening and which the West is having to come to terms with. For the SA crisis has weakened the 'globalist perspective' on SA's strategic place within the world capitalist system - which, though always important, does fluctuate according to the state of super-power tensions and the relative robustness of the Western economy. The SA crisis has also reduced the attractiveness and profitability of Western investment here. For multinationals such as Barclays PLC which have sold off their SA investment, the withdrawal had as much to do with its capacity to generate profits abroad, as with declining profits locally. According to Sir Timothy Bevan, Barclays

> was losing ground rapidly in the student market, a major source of future business, it was forfeiting large and significant international loans because of Third World pressure and the point was fast approaching where its expansion plans in the US and Canada were going to run into anti-apartheid trouble (*Natal Mercury*, 27.11.86).

In short: there is now an increasing recognition that the apartheid form of the SA state is becoming an economic and political liability to Western capitalist interests. Ultimately the Western response will be determined by the nature and pace at which 'reform' of the apartheid state occurs in relation to Western interests in this region. The need to preserve these interests - especially in an era of international capitalist crisis and a hardening of US-Soviet relations - may compel the West to adopt a tougher

stance against Pretoria than hitherto. The Western role and influence, including the manner and timing of economic and political pressure and more direct intermediation, such as the Crocker-Howe shuttle diplomacy, must therefore be recognised for what it is - an attempt to create the conditions for a negotiated settlement to the SA crisis that would secure Western economic and strategic interests here. Despite the impression created by official pronouncements there is a chilling confidence in official circles in Washington DC that the US will be able to bend the terms of such a settlement and the shape of the post-apartheid SA to their will and purpose. As one State department SA specialist commented in a public seminar: 'whoever comes to power in SA will have to deal with us'. No one was left in any doubt as to who will hold the upper hand in any such 'dealings'.

CONCLUSION

If SA in the apartheid years had established its preferential and favoured relationship with Western capitalist interests in general, and with its 'specialised agencies' such as the IMF in particular, because of its place and functions within the post World War II global structure, then it would be reasonable to conclude that the future form of this relationship will depend crucially on the extent to which a post-apartheid SA will continue to play this role - whether this arises willingly, by compromise, or by virtual blackmail. This in turn will depend, among other things, upon the class-representative basis of the post-apartheid state which will determine its path of development and its international economic relations and policy (for a discussion of these issues, see Padayachee, 1983).

In general, revolutionary governments, especially in the developing world, have found that it has often been as hard to live with the IMF as it has been to live without its support. In the post-revolutionary era a country like SA, whose particular form of development has been intrinsically tied to its extensive international economic relations, will find the task of 'living' with this historical legacy a particularly crucial and challenging one. Given the role of the IMF in the world economy a post-apartheid SA's relationship with the Fund is likely to be characterised by increasing tensions, conflicts, pressures and struggles as one 'moves' from the pole of a democratic capitalist state - as one possible post-apartheid form - to one of socialism (under workers' control). Increasing controls over their lives by working and popular classes may be accompanied by an increasing threat to the very existence of such a state from Western capitalist states seeking to maintain or reassert their economic and strategic interests in this region - which they appear to have identified as being

crucial to mediating crises that arise from their own capitalist form of accumulation. The IMF, a supposedly apolitical international agency, can very well form an integral (though unseen) part of the weaponry available to the West in shaping the nature and development of, and transition to, a post-apartheid society.

NOTES:

1. This has been shown or suggested in numerous studies that have recently been reviewed in the South African press and also by others such as Aubrey Dickman, Gavin Relly, etc (See eg Dickman, 1986).
2. The IMF presently has a membership of 150 countries - including most 'First' and 'Third' World countries. It also counts among its membership Yugoslavia, and certain Warsaw Pact countries such as Poland, Rumania and Hungary, who like most 'Third World' countries have extensive trading and financial dealings with the West and have therefore little choice but to join the IMF.
3. World Bank: Officially known as the International Bank for Reconstruction and Development. The World Bank was set up at the Bretton Woods Conference in July 1944 at the same time as the IMF. The role of the Bank is primarily to encourage capital investment for developing projects in LDCs, either by channelling the necessary private funds or, more usually, concerning itself with longer term development programmes, especially in infrastructure and agriculture. The World Bank also plays a central role in development policy discussions and helps to co-ordinate aid policy among donor countries.
4. Bretton Woods: the New Hampshire town which was the site of the UN Monetary and Financial Conference organized to plan economic and financial co-operation for the postwar years; held in July 1944 with 44 nations participating, the conference planned the IMF and IBRD. See also Evans (1986), which reviews the formation and collapse of the 'Bretton Woods system', as the international financial system established there and functioning until c1971, came to be called.
5. Gisselquist (1981:217) quoting Horsefield J K, *The International Monetary Fund 1945-1965*, Vol. 1, Chronicle (Washington DC, 1969:130).
6. The technical financial operations of the IMF, ie the manner in which the Fund carries out its functions of granting standbys and credit facilities, cannot be dealt with in this paper. These are explained in many of the Funds own publications, reports, etc. See also Gisselquist, Adibelle, etc, which are referenced here for more details on these technical operations of the Fund.

7. See the next section of this paper which deals with SA's role or place within the world capitalist system.
8. Credit Tranches: The normal method of drawing on the resources of the IMF is through access to the tranches or 'slices' of credit. The first of these is the reserve tranche and amounts to 25 per cent of the member's quota. The next tranche, namely the first credit tranche (an extra 25 per cent of the quota) is subject to low conditionality, while the three upper credit tranches (each worth another 25 per cent of the member's quota) are subject to full conditionality and an IMF-stabilisation programme.
9. Compensatory Finance facility - an IMF facility that provides shortfall credit, with low conditionality and of three to five years' duration, to compensate countries for sudden declines in their foreign exchange earnings from their major export commodities.
10. SDRs: Special Drawing Rights were created in July 1969 as a form of international reserve asset to replace the dollar as the Fund's official unit of account. They are allocated to members as a supplement to other reserves and they function as credits in the member countries' accounts with the IMF, which can be used to buy hard currencies from the IMF in times of debt or balance of payments problems. Members may also use SDRs in a variety of transactions by agreement with each other. Members pay interest to the Fund on the balance of their holding below their allocation, and receive interest when their holding is above their allocation. Until 1971 the value of the SDR was equivalent to one dollar, but is now fixed to five currencies (the US dollar, the French franc, the Deutschmark, the pound sterling and the Japanese yen) to make their value independent of the fluctuations in the value of the dollar. In mid-1980 the total value of SDRs allocated was US$22.5 billion.
11. Stand-by agreement - an agreement with a member country in balance of payments difficulties, whereby the country is guaranteed access to an agreed-upon amount from which it can choose to draw; the agreement is usually for one to two years with conditionality.
12. Conditionality - refers to the criteria that the World Bank and IMF attach to their loans and credits, over and above the obligation to repay and cover interest charges; these criteria extend over a far wider range of economic policy than that related directly to the loan or credit in question, and are critized by many Third World governments for being onerous and counterproductive to development.
13. Leaked State Department telegram (not referenced).
14. See eg United Nations General Assembly: Reports of the Secretary

General 4 Oct 1982, 28 Oct 1982; UN General Assembly A37/552 1904 1982; UN Press Release GA/6695 21 Oct 1982; UN Press Release 4 Nov 1982.

15. Those countries who 'refused to support the loan', was obtained by adding up three technical 'non-support votes', ie those who voted '*against*', those who '*reserved their position*' and those who '*were unable to support*' the loan application. It is interesting to note that some countries who voiced their opposition to the loan at the UN, did not actually vote '*against*' SA's loan application, at the Executive Board. As most of these UN objections were made on 'political grounds', there is an understandable fear by some member countries that the USA may block loans to them on 'political grounds' too. This is one of the many rather insidious ways in which so-called 'political issues' are kept out of IMF deliberations, and US control imposed over developing countries.
16. Not all of the loan was drawn on by SA, raising questions as to whether it was needed in the first place; and with the gold price rising again in 1983 SA agreed to begin an early pay-back of the loan.

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