COVER STORY

SA companies
New colonialists on

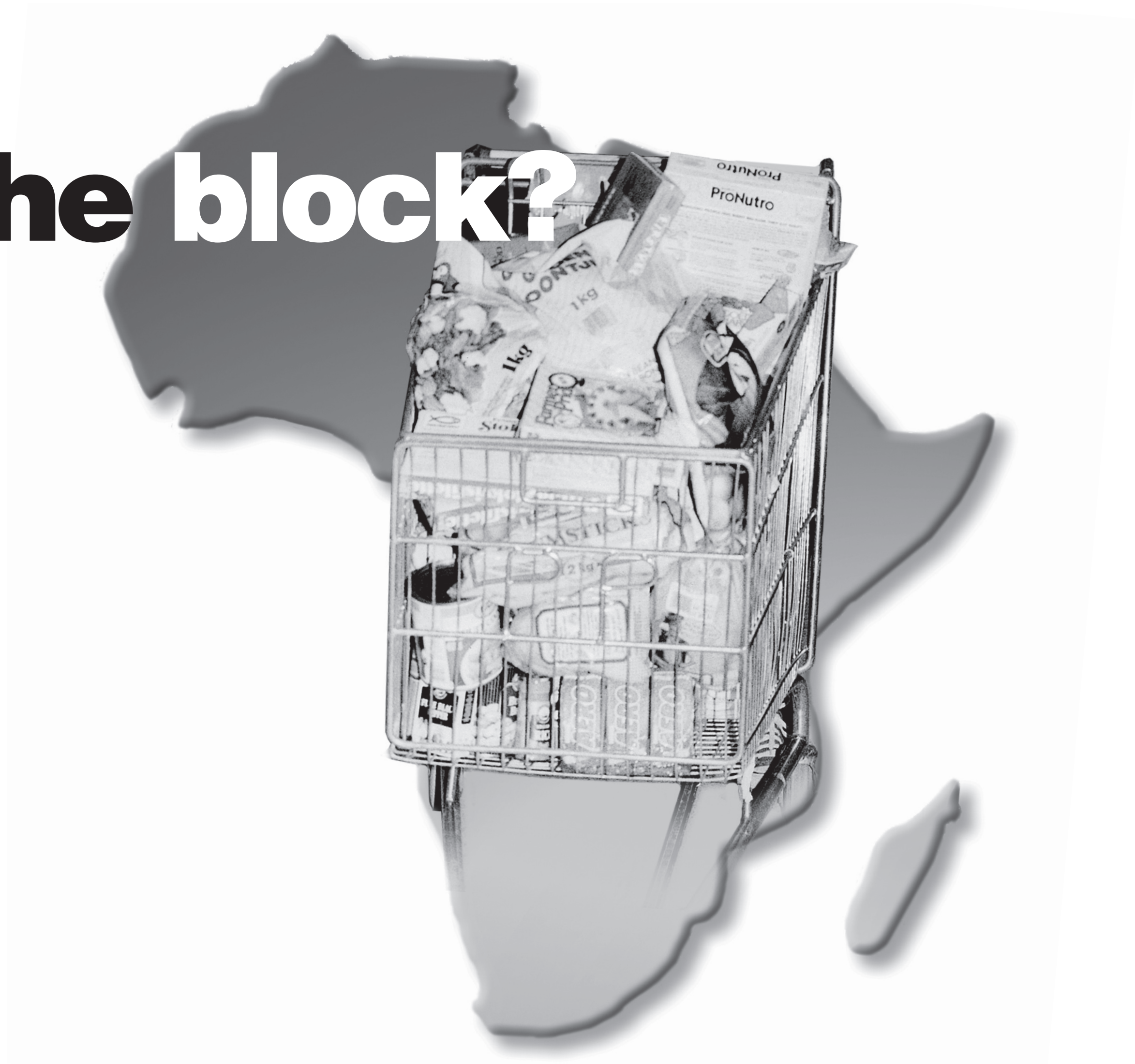
*1994 marked the beginning of the march of SA capital into Africa. Now there are almost daily reports of SA companies offering services or setting up manufacturing, mining or agricultural operations in various parts of Africa. This movement has received further impetus from NEPAD and its focus on African investment in Africa, the formation of the African Union and the move towards regional integration. The **Labour Bulletin** looks at an initiative embarked upon by **Naledi** and the **African Research Labour Network** which aims to research and monitor the behaviour of multinational companies (MNCs) including SA MNCs operating in Africa.*

The trek into Africa has resulted in SA fast becoming the largest foreign investor in Africa. This should not be worrying as it very much fits in with the spirit of NEPAD. However, concerns are emerging as to the behaviour of these companies. Are they displacing local capital or is SA capital acting any differently to local capital in the countries where investments have been made? At this stage there is no conclusive evidence to indicate whether or not investment by SA companies is contributing to development and various studies are underway to establish the truth.

However, Naledi acting director David Jarvis says 'our research to some extent does indicate that SA companies are not contributing to development.' He acknowledges however, that further research is required and the monitoring of behaviour. 'Companies will get away with what they can,' he says, if they are not forced to behave differently or in a developmental way. Sanusha Naidu of the HSRC (who is involved in a study which is examining whether SA investment is positive or negative for development in Africa) says media scanning reveals concerns around the operation of SA companies in some African countries. In recent weeks negative reports emerged from Nigeria over the operation of MTN. This became the subject of debate in the Nigerian parliament and led to a call for a two-week boycott of cellular phones. There have also been reports of SA companies flouting competition laws in some countries.

Earlier in the year reports were received from Zambia about the possible impact on local business of the importing of cheaper goods from SA and Zimbabwe. Michael Malakata wrote in a recent edition of the *African Business Journal* (Issue 14, May-August 2003) that the trading practices of certain South African companies were highlighted. 'In December 2001, allegations of restrictive business practices were brought against Game stores, a South African chain operating in Zambia, at the Zambia Competition Commission (ZCC), by Ngwerere Farms Limited (NFL), producers of bottled mineral water. NFL complained that Game stores had unfair trading terms designed to make it difficult for Zambian suppliers to supply their stores… The ZCC noted the conditions as restrictive and urged management at Game stores to be vigilant and protect public interest with the aim of encouraging local companies as suppliers. The Commission resolved to issue a 'cease and desist order so that Game stores could not impose

the block?



conditions and terms specified in their South African operations, deeming them to have anti-competitive effects in Zambia.'

The Edge Institute director Stephen Gelb, saying the jury was out on SA investment in Africa. 'We do not know if SA investment in Africa is good for Africa or for SA.' There are no studies, he says, which have seriously looked at the development impact of SA investment in Africa. Gelb says it is difficult to analyse the development impact of a multinational in another country as it goes beyond the employment of people. But other factors have to be measured including the impact on local companies – is the impact positive or negative? Are they being encouraged to improve their own production and costs or are they being squeezed out of the markets. What is the impact on exports/profit flows?

Gelb says it could be argued that it is the approach adopted by foreign multinationals in SA which gave an impetus for the emerging labour movement of the 1970s. Gelb says earlier editions of the *Labour Bulletin* highlighted the role played by (MNCs) in SA and how they were often in the forefront of recognising unions ahead of SA companies. He adds that working conditions in SA-based companies in Africa may be bad compared to conditions in SA. However, the SA experience has shown that during apartheid MNCs in SA had been very conscious of their employment conditions and had ensured they paid more than local companies. This could have partly been as a result of pressure from the home union. In view of the SA experience, Gelb believes that, it does not necessarily mean that it will be bad having Shoprite in Zambia for example. Gelb's proposition does however, depend on the power of SA unions to do for workers in other parts of Africa what foreign unions did for SA labour under apartheid.

Social observatory

In view of the limited information on the role of multinationals in Africa, the African Labour Research Network, together with Naledi (acting as project manager), have proposed the setting up of an African Social Observatory, which will look at the behaviour of both multinational companies and SA companies operating in Africa. A draft report states: 'Multinational corporations are the major drivers of globalisation and have not been held accountable for their actions mainly because there is very little social control over them. This is especially the case in Africa with weak government regulatory frameworks and the sparse capacity of African trade unions to monitor and gather information on multinationals.'

The objectives of a social observatory in Africa (similar initiatives have been embarked upon in other parts of the world such as South America) are:

- facilitating the building of the capacity of African-researchers and research institutions linked to the labour movement to monitor and evaluate the conduct and activities of multinational corporations in their respective countries;
- providing a concrete and strategic basis for social dialogue and trade union action at regional and global levels; and
- building the capacity of unions to organise and campaign against the violation of worker rights by MNCs and enhancing the contribution of African trade unions to the emerging debate and policy development process regarding frameworks and binding mechanisms for corporate accountability and social responsibility.

In order to kickstart the process, a pilot study was started in four African countries – South Africa, Zimbabwe, Zambia, and Ghana. In South Africa a Finnish MNC), Metso Minerals was studied. In the other three countries, South African-based MNCs engaged in the retail sector were studied including Woolworths in Ghana and Shoprite in Zimbabwe and Zambia. For the purposes of this special report the findings of the study will focus only on the activities of SA MNCs in Africa.

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Multinationals in Africa

The growth of foreign direct investment (FDI) and the number of MNCs is one of the characteristics of globalisation. Investment flows to Africa have declined steadily. In the 1970s, Africa accounted for 25% of FDI to developing countries. In 1992 it only accounted for 5.2% whereas in 2000 it received 3.8% of the total FDI flows to developing countries.

FDI flows into North Africa have remained unchanged while Egypt has remained the most important recipient of FDI flows in North Africa. In sub-Saharan Africa, there has been a decrease in FDI from $8bn in 1999 to $6,5bn by the year 2000. While Angola and SA received the most FDI inflows in sub-Saharan Africa other countries are starting to attract attention including: Botswana, Equatorial Guinea, Ghana, Mozambique, Namibia, Tunisia and Uganda.

While SA is a recipient of FDI inflows its companies are increasingly establishing themselves as major players on the continent in the areas of mining, energy, telecommunications, retail, media, information technology, transport, construction, and banking sectors. South Africa is now the largest foreign direct investor in Africa with an annual average of $1,4bn since 1991[1]. This has raised questions about the role of South Africa in Africa. It could be argued that South African capital appears to follow the common international pattern of lower wages and labour standards in foreign operations[2]. (Given Africa's poverty statistics it can be expected that unemployment is extremely high and wages very low in Africa.)

SA companies operating in Africa

The end of apartheid saw the opening up of the African market to SA corporates. **John Daniel, Varusha Naidoo** and **Sanusha Naidu** (see p14) assess how democratic South Africa expressed its growing hegemony in Africa. They explore what impact this economic expansion will have on SA's political position with regard to Africa. They pose the question: 'Would its new-found economic strength allied to its historic attitude of overlordship to Africa render the new regime even more interventionist and imperialist than its apartheid predecessor?' They also explain some of the reasons behind the expansion into Africa and conclude that a distinction has to be drawn between the behaviour of SA companies and the role played by the SA government.

Aside from anecdotal evidence, what does preliminary research into SA companies operating in Africa show? The studies conducted in terms of the pilot project of the African social observatory do not reveal clear trends at this stage as the research has only been into two retailers operating in Zambia, Ghana and Zimbabwe. (The initial project was not to indicate trends but rather provide a snap shot of what is happening. The intention is to follow this up in about two years to see whether the situation has improved or worsened.) Some of the trends picked up by the researchers are not necessarily specific to MNC behaviour in Africa alone – such as the rise in the use of casual labour. This is a phenomenon that SA unions are grappling with alongside their counterparts around the world. Research does however reflect rather superficial attempts by some companies, in implementing social responsibility programmes while wages paid by Shoprite, although above the national minimum, are far lower than the poverty datum line. There is an underlying sense that perhaps being SA companies they should be providing the same conditions as workers in SA.

Anthony Baah from the **Ghana Trade Union Congress** wrote up the results of the research conducted into the behaviour of Woolworths in Ghana (see p17). There is no suggestion that Woolworths is attempting to undermine labour standards but instead is taking advantage of the existing deregulated labour market. There are no indications that the company is anti-union but as with the case of most employers, Woolworths is not keen to see a union in its midst. Baah argues that while Woolworths does not appear to be anti-union it was using subtle means to ensure workers do not form or join a union. At the same time however, the union's excuse for not recruiting at Woolworths is problematic and has not been properly interrogated. The union claims it had not yet begun to recruit as Woolworths was still a 'young' company in Ghana and the union wanted to give it time to establish itself.

Shoprite's operation in Zimbabwe and Zambia also formed part of the initial research. Extensive research has already been undertaken by Wits sociology lecturer Darlene Miller into Shoprites operation in Zambia (see SALB 27(1)) and Mozambique. At the store in Mozambique there was a strong sense that South African companies were 'exporting apartheid' to Africa. This emerged from interviews of trade union members in which they highlighted the racial structure of management at the store (Miller 2000). She also highlighted the low wages, the lack of paid sick leave and abuses suffered by workers at work. Workers at the newest Manda Hill shopping centre in Zambia raised many grievances (Miller 2003): they are paid low wages, they are employed on a casual basis, there is continuous intensification of work and some workers are working over 60 hours a week. Miller concluded that regional integration may not live up to its promises, especially for workers who could see labour standards dropping this implies that SA conditions are forcing down conditions in other countries, surely this can't be?

The work done by **Austin C Muneku** of the **Zambian Congress of Trade Unions** (see p23) does to some degree reveal the same concerns as Miller's which, if not, curbed could undermine worker rights. **Tendai Makwavarara** of the **Zimbabwe Congress of Trade Unions** explores quite extensively Shoprite's operation in Zimbabwe (see p20). Makwavarara attempted to explore the relationship between the Zimbabwean union and Shoprite which was described as an 'amicable relationship'. She cautioned however, that 'this should not be taken as the reason there has not been any industrial action or legal battles, as Shoprite has not been operating for long enough in Zimbabwe for the analysis to be conclusive'. The current political dynamics also play a critical role in terms of how companies are liaising with unions.

Aside from case studies done as part of the African social observatory, there is the work done by Leon Pretorius (2000) on a South African MNC, Billiton (now based in London), operating an aluminium smelter in Mozambique. He found that workers at Billiton were paid higher than the national average and had better benefits than the required legislation. The company was also keen to maintain good industrial relations. Despite this there have been several cases of industrial action on the part of workers, mainly around wages and wanting to be paid on par with South African workers.

COVER STORY

Integration of labour laws

*Regional integration has led to processes of harmonization on trade and investment regulations as well as financial and competition regulations. The **Labour Bulletin** spoke to **Charles Nupen** about the process currently underway within the Southern African Development Community (SADC) to ensure the harmonisation of labour laws.*

In the wake of major changes to South Africa's labour laws post 1994, the International Labour Organisation (ILO) together with the Swiss government initiated a process to help build up labour market institutions in SADC. This fitted in with a SADC resolution which sought to harmonise labour laws so as to prevent unfair and unhealthy competition and facilitate the building of a basic floor of rights. ILO task team head Nupen said the process sought to stabilise the labour markets in the region; reduce levels of industrial conflict and facilitate the growth of social dialogue. Nupen said the process began with a pilot project in Nambia and Lesotho. A key aspect of this reform process was the establishment of institutions involved in dispute resolution similar to the Commission for Conciliation, Mediation and Arbitration (CCMA). Lesotho, he said, now has a fully functioning dispute resolution institution.

The harmonisation process, he said, has also led to the drafting of new labour laws in Namibia which have yet to be tabled in parliament. In Botswana, new labour laws were passed and now the social partners are in the process of setting up dispute resolution institutions. The ILO/Swiss project has been very involved in Swaziland in an attempt to assist in the stalemate reached around changes to labour laws. New laws have also been introduced in Zimbabwe while Tanzania has commenced a labour law reform process. Nupen said that overall, the governments have reacted positively to the harmonisation processes, however, some problem areas have emerged:

- *The strength of the ministries of labour in the various countries;*
- *Lack of resources amongst some of the stakeholders; and*
- *Fragmentation of unions in many countries.*

A key issue to emerge from the process, Nupen said, was the need to build capacity amongst the key stakeholders so that they could engage.

After the collapse of apartheid, general research began to focus on compliance with labour standards in the region. This took the form of a focus on EPZs (Export Processing Zones) and the impact of regional integration.

Corporate social responsibility

An important issue to emerge from the social observatory study is what mechanisms can be used to hold multinationals accountable and ensure they comply with international labour standards? **Paul Kapelus** and **Rosemary Diaho** of the **African Institute for Corporate Citizenship** write on p27: 'There is no doubt that companies can play a substantial role in the social, environmental and economic development in Africa. But experience also tells us that companies can reap havoc if not kept in check by either voluntary or regulatory mechanisms.

'South African society, companies, government and trade unions have the responsibility to find ways of ensuring a positive contribution by South African companies in Africa.'

Kapeuls and Diaho indicate that there are numerous codes and methods of reporting on social, environmental and labour responsibility. They argue that a debate should be initiated as to the acceptance of a set of guidelines for South African multinationals.'

The report on the African Social Observatory explores how the promotion of corporate social responsibility could impact on the promotion of labour and environmental standards. The report takes a view, based on international experience, that the promotion of corporate social responsibility has led to the creation of various codes of conduct and voluntary agreements. 'An important question has emerged through the international experience with developing labour codes – are they a worker's tool or a PR ploy?' Despite these concerns, what is clear the report argues, is that successful campaigns can be waged against MNCs to ensure their compliance with international codes. This is evident in the number of groundbreaking victories won against a number of powerful MNCs internationally.

Campaigns against MNCs

The African Social Observatory seeks to 'join a wide collection of civil society organisations (CSOs) within and external to Africa, which are dedicated to Africa's economic, political, and social development.' The organisations supporting the establishment of the social observatory believe this initiative – working together with civil society – could lead to positive developments in Africa especially in the area of governance. This, they believe, could be achieved through the mobilisation of campaigns against MNCs. This view is based on international experience, which saw numerous highly successful campaigns waged against MNCs.

It is however, unclear, the extent to which the African Social Observatory will seek to build alliances with so-called 'global progressive movements' who have been active in recent years against the IMF and World Bank. It is correctly argued that a distinction can be made between campaigns conducted by organised labour, and those composed of a wider set of civil society actors. 'With labour union campaigns the objective is usually economic – jobs, compensation, work rules, union membership – and there is some common interest between the target company and the campaigning union, in that both have an interest in preserving the viability of the company. This tends to place some limits on what the union is prepared to do in its attacks on the company. But campaigns waged against corporations by progressive activists have no inherent stake in the viability of their targets, and even see them as morally corrupt. As a result, they are less constrained in their selection of tactics. Non-labour campaigns are essentially anti-corporate campaigns.'[3]

Role of SA unions

Jarvis says: 'It is important to understand where our companies are going; what are the opportunities for strengthening the African labour movement; how SA companies are engaged in complying with international codes of conduct; whether it is possible (based on international experience) to initiate local campaigns as part of building trade union solidarity in Africa. (It is important however, that local trade unions 'make the first move'). These developments pose some critical challenges for SA labour where some unions argue that SA companies moving out of SA are unpatriotic – how does this fit in with developments to strengthen unions in Africa.'

Although unions in SA are considered the most organised in Africa, they too are facing serious capacity constraints and it is questionable the extent to which they will be able to give support to their African counterparts. Aside from capacity issues, SA unions face a similar dilemma to unions in North America. High paying manufacturing jobs in the US have been lost in favour of low-paying jobs outside of the US. A similar process is taking place in SA which is forcing SA unions to forge closer relations with African unions as part of a strategy to raise working conditions in the rest of Africa.

The SA Clothing and Textile Workers Union (Sactwu) was involved in an initiative to build solidarity with its counterparts in SADC in the late 1990s following massive job losses in SA to low paying jobs across the border. This process led to the adoption of what is now called the Maputo Declaration which in 1999 sought to ensure co-operation with governments in the region to work with 'trade unions and employers in order to develop appropriate policies to secure a future for the industries and to improve the conditions of workers.'

The unions committed themselves to building strong union organisations, including strengthening the International Textile Garment and Leather Workers Federation (ITGLWF) on the continent, and building unity between the unions in the region. Initiatives include increased cooperation in programmes to increase union membership; mobilise for united action across borders; put resources into campaigns to address those employers who have anti-union policies, whose conditions of employment are very low and whose corporate philosophy is based on job cutting and constant relocation to avoid fair working conditions.

It is questionable to what extent progress has been made on the Maputo Declaration. Sactwu's former general secretary Jabu Ngcobo has been instrumental in the work being done by the ITGLWF in Africa. Through his efforts (in obtaining contributions from Sactwu's Investment Company) the ITGLWF was able to set up an office in SA. Ngcobo says his work amongst unions in a number of African countries has revealed that these unions do not only need financial resources but a real understanding of how to run democratic unions. Many, he says, have no constitutions or ensure proper levels of accountability. 'It is critical that we try and transfer experiences to these unions,' he adds.

Conclusion

The African Social Observatory aims to bring to the public domain conditions experienced by workers in MNCs operating in Africa. Once this is done it is up to trade unions and civil society to take up the challenge both within the home and host country. Both are generally weak, non-existent, or where they exist, are fragmented in Africa. This places an additional burden on SA unions and civil society in terms of what they are able to do to mobilise around violations by SA MNCs in Africa. The success of the African Social Observatory is to determine whether there are movements such as trade unions in SA who will be able to take up the challenge to bring SA MNCs into line in cases of worker and human rights violations. Alternatively, as the report argues, is there a possibility of leveraging political support through the SA state and NEPAD. Civil society needs to become more active in engaging NEPAD. Can society allow the legitimisation of slave wages through NEPAD?

Drawing on international experience is important, but ultimately, however, conditions in Africa might require a different approach to taking forward possible campaigns against MNCs. Hence, further debate is necessary to develop a strategy that takes into account existing constraints – the editor. LB

1. Naidu & Lutchman (2003)
2. Miller (2002)
3. Manheim (2003)