# SDIs and IDZs

## *challenges facing South Africa*

*SDIs and IDZs are part of the government's industrial strategy. Neil Newman identifies the problems associated with these initiatives.*

In June 1998, South Africa and Mozambique celebrated the launch of the first phase of southern Africa's largest infrastructural project, the Maputo Development Corridor - a R1,8-billion toll road linking Witbank in South Africa to the port of Maputo in Mozambique.

This corridor is part of the government's industrial strategy, which is based on production of goods and services for export within special zones. The GEAR macro-economic framework calls for the setting up of Industrial Development Zones (IDZs).

The Department of Trade and Industry (DTI) is promoting Spatial Development Initiatives (SDIs) and development corridors, along with IDZs as part of its industrial policy.

The Maputo Corridor is one such initiative. Others include the Lubombo Corridor, the Wild Coast SDI, the Fish River SDI, the Coega IDZ and the Saldanha Steel Project.

### SDIs and IDZs

SDIs and IDZs play slightly different roles in export production. SDIs are broad geographical areas within which different economic activities can take place. Within the SDI, specific locations, called nodes, are identified for various activities. These typically include industrial manufacturing, tourist services and agricultural production.

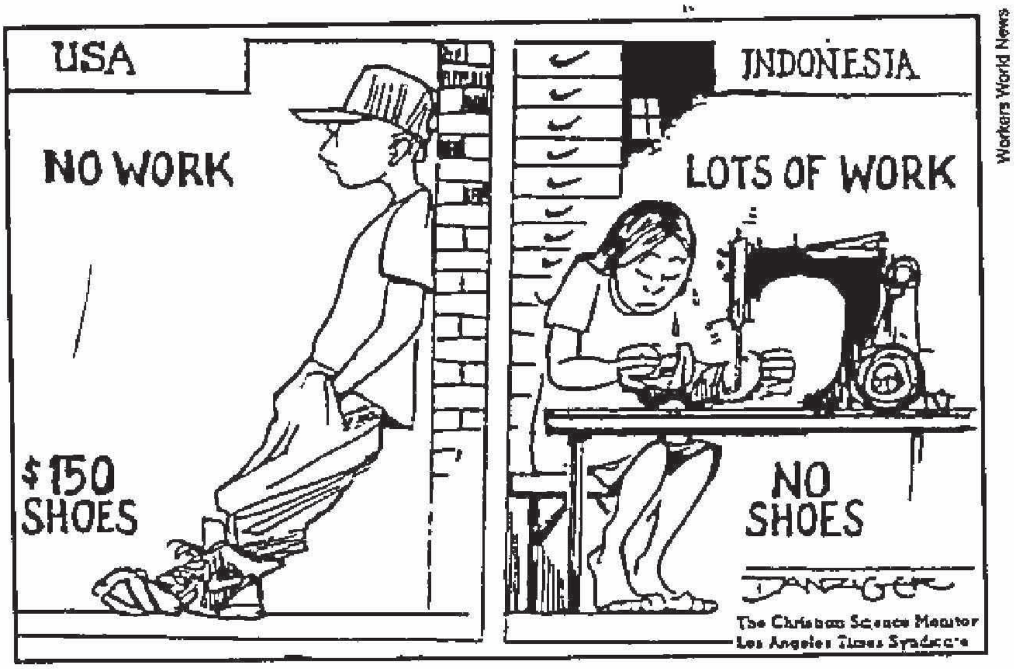
IDZs are more specific, smaller areas, targeted for industrial export manufacturing. They are usually adjacent to a harbour or airport, from which products can be easily exported and raw materials imported. An IDZ could be located as a node within an SDI, or outside of it.

A development corridor is a type of SDI. Typically, it provides a transport passage or corridor from an inland production location to a harbour or airport, or from one node to another (within an SDI). Like the Maputo Corridor, it could also link different countries.

### Rationale

The government believes that the SDIs and IDZs will enable South Africa to compete on international markets. It argues that increased exports will lead to growth, jobs and empowerment.

Zav Rustomjee, director general of the DTI, says that: "the country had no choice but to promote exports vigorously because the small domestic market and low economies of scale could not produce growth to create sustainable growth". *(Business Report* 8/6/98)




## Origins

At the end of the 1960s, transnational corporations (TNCs) based in the US and Europe were beginning to search for new ways of increasing their profit levels. The cost of labour in their home countries was becoming more expensive.

The search for increased profits became the search for cheap labour. This gave rise to the strategy of export-oriented production or industrialisation (EOI) in developing countries where labour costs were much lower than in the US or Europe.

Production was to take place in the developing world (mainly in East Asia, Latin and Central America and, to a lesser extent, in Africa). Goods would then be exported to the US, Europe and the rest of the world.

At the same time, the developing countries were trying to solve their own problems of debt and unemployment. The International Monetary Fund (IMF) and World Bank placed conditions on loans it made to these countries, forcing them to adopt Structural Adjustment Programmes (SAPs).

A key aspect of these SAPs was export-oriented growth and industrialisation.

On the other hand, the TNCs were demanding special circumstances from these developing countries in return for their investment. These included tax concessions, economic infrastructure, low wages and in extreme cases, the exclusion of trade union rights.

This gave rise to the idea of creating special economic zones or areas where the production of goods and services for export could take place with maximum benefit to the TNCs. These economic areas or zones are most commonly known as EPZs.

The first zone was established at the Shannon Airport in Ireland in 1960. Today, there are more than 200 EPZs in over 60 countries. Most are located in Asia, with Latin and Central America occupying second place. According to an International Confederation of Free Trade Union (ICFTU) survey, 25 African countries have established EPZs.

While the zones took on many different forms and names, the experiences of workers are very similar. Super-exploitation in the form of low wages, long hours of work and an attack on trade union rights are common. While, in most cases, the country's labour legislation applies, governments turn a blind eye to violations so as not to scare investors away.

## The *maquiladoras*

*"The metal covered buildings lie under a leaden sky. Nothing in their appearance suggests there are human beings inside.*

*They look like giant warehouses. Inside, the only sound is the noise of machines. There is not a single human sound: no voices, no laughing, just the occasional whisper here and there.*

*From time to time, someone gets up and asks to go to the toilet. The workers are only allowed to go once during their ten- or twelve-hour shift, and even then, their time is strictly limited. If they are absent for more than three minutes, the supervisor shouts for them to come back to work.*

*Once the women have entered the building, the doors are locked. Nobody can leave or have any contact with the outside world. Their whole world is behind those doors.*

*Anger drives some of the workers to organise. But any efforts are immediately repressed. Order is restored, with the supervisor using every method available. The end justifies the means: shouting, harassment, physical violence.*

*If somebody were to ask where the scenes described above took place, no doubt most of us would reply: in a prison or concentration camp. Wrong. It is simply the way workers are treated in the* ***maquiladoras*** *of Central America. In El Salvador, Nicaragua, Honduras and Guatemala, over 200 000 workers, overwhelmingly female, produce goods under these conditions...(the goods) are exported to the US, Canada and the rest of South America."*

***Adriana Rosenvaig of the International Graphical Federation, Latin America***

## Are SDIs and IDZs different?

SACCAWU's Herbert Mkhize, who is the labour convenor at Nedlac's Trade and Industry Chamber, recently stated that "unions (are) opposed to plans to create 'concentration camps'. Labour (is)...against export processing zones by any other name". (*Business Day*, 11/2/98)

The DTI claims, however, that "IDZs have been conceived after consideration of best practice internationally, which indicates a shift away from traditional EPZ strategies to the development of leading edge industrial development zones. South Africa will not be offering a discount on wages or less preferable conditions of service as incentives to potential investors".

## Challenges

The key challenges facing labour are:

### *Growth and job creation strategies*

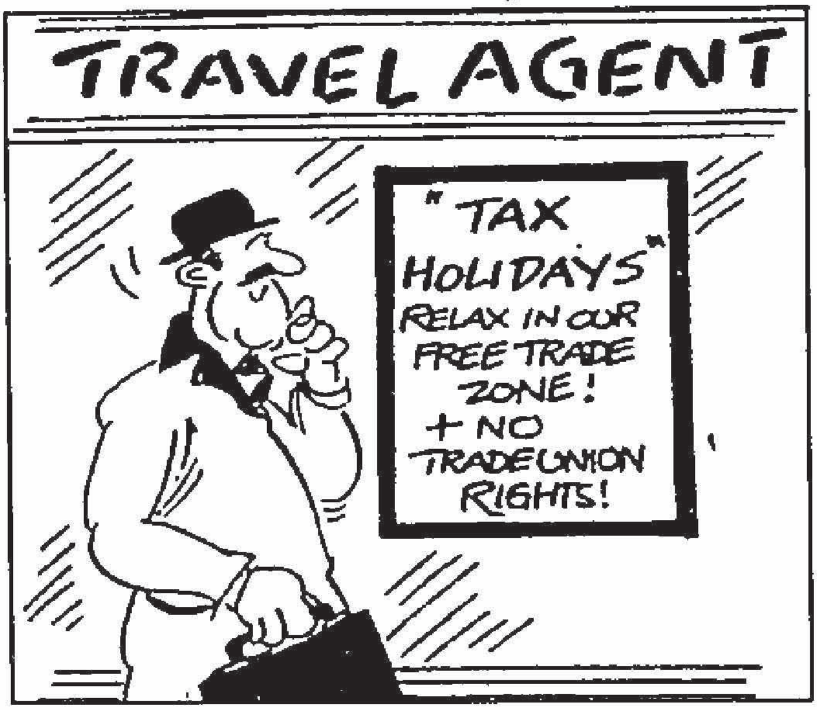
What kind of job creation and growth strategy is South Africa promoting? Business, labour and government agree on the need to address the problems of negative growth and increasing unemployment.

Their strategies for doing so are, however, very different. The export-led strategy which government has chosen favours business, particularly the TNCs. It leaves growth and job creation up to the private sector. It depends on the willingness of business to invest in production.

Investment will be determined by factors such as how productive and flexible workers are, what kind of incentives (like tax holidays) are given and how much of the profits can be taken out of the country.

***The race to the bottom***

If South Africa is to become internationally competitive, our production costs must be lower than in other countries. Other countries are also becoming more competitive. The competition for investment involves a 'race to the bottom'. Workers have to continuously lower their standards in the struggle to attract investors. In the end, South African workers may be forced to accept conditions similar to those which prevail in EPZs in other parts of the world.




Workers World News

***Who benefits?***

Researcher, Sharon Hammond, notes that development corridors may benefit big business, but local communities are experiencing negative effects. At the launch of the Maputo Corridor in Ressano Garcia, no local labour power was used. Workers and other resources were imported from Gauteng. Local residents were separated from the proceedings by yellow ropes.

Residents were not consulted in the planning stages. In towns such as Malelane, Matsulu and Kaapmuiden, residents are fighting against the siting of the toll gates on the N4 toll road, pointing out that the gates will separate them from their schools, jobs and shopping centres in Nelspruit. Local taxi operators also complain of the high cost of the fees they have to pay at the toll gates. No alternative routes are being provided.

Mpumalanga's economic affairs department agrees that the 'little man' has not always featured significantly in the planning. "Casinos and hotels are nice, but they don't really have anything to do with empowerment," says Jonathan Mitchell, development economist. (*Reconstruct, Sunday Independent*, 14/6/98)

There can be no doubt that the strategy of creating special production zones has led to many jobs being created in developing countries. The workers who occupy these jobs labour, however, under conditions of super-exploitation. The jobs have been created at the expense of jobs in other parts of the world.

Today, the search for increased profits is the search for cheap labour. Will South Africa be able to resist these pressures? Despite commitments by government, the logic of globalization may force compromises. Just how flexible are we prepared to become? ★

## References

*The South African Industrial Development Zone Concept - DTI - consultative draft, April 1998*
*Maquiladora Network Update, April/May 1997.*
*Behind the wire: anti-union repression in the export processing zones, published by the ICFTU.*

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