Financial Sanctions: A Rebuttal

Paul Trewhela's article 'Financial sanctions and South Africa' (*Searchlight South Africa*, No.4) rests upon a mammoth *non sequitur* which fatally mars an otherwise interesting and well written piece. In addressing this, I rest upon two premises that are only briefly developed here: 1) that socialist principles do not preclude engaging in popular struggle in the realm of *circulation* of capital; and 2) that experience in numerous citizens' campaigns against US banks suggests that *local* financial sanctions can help poor and working people take some important intermediate steps on the road to socialism.

First the fatal flaw. Trewhela's leap of logic in asserting that 'By their advocacy of financial sanctions, a relationship in which coercive power is exercised by the banks through debt, the ANC and the SACP thus relate uncritically to the tendency to mass pauperization in the system as a whole' (p.22); indeed he argues, 'instead of trying to influence the policy of the bourgeois governments, as before, the ANC [now] becomes the medium for distribution of the policy thinking of the banks and treasuries of various bourgeois states' (p.19).

Yet amongst the wealth of details on the mechanics of the financial sanctions campaign in 1989, Trewhela cannot produce evidence either that financial sanctions as a movement policy neglects debt–induced pauperization, or that the ANC is insensitive about such pauperization and now acts as the medium for the banks. The closest Trewhela comes is to infer that because the short–term convergence of interests of the ANC–led anti–apartheid movement and a small fraction of imperialism (represented by Canada's Clarke and Australia's Hawke in the Commonwealth, while the Thatcher and Bush administrations rejected the initiative). 'it is in the hands of the IMF that the politics of the ANC must end' (p.23)

That convergence in favour of financial sanctions is based on the near–universal recognition that, as Trewhela acknowledges, the July 1985 bank pullout 'set in motion the sole effective process of economic sanctions so far' (p.17). This, as many progressive analysts have argued, produced a temporary but significant rethink by major SA capitalists and more than any other single factor set the stage, over the medium term, for Pretoria to move into its current reform posture. Most importantly, financial sanctions were chosen by a wide spectrum of anti–apartheid forces as a focus of attention in 1989 because they can create an extreme liquidity crunch in South Africa – hence hastening the crisis of the state and transfer of political power to the majority, without requiring intensified sanctions in the real sector which would, it is argued, leave an economic wasteland.

Only by stretching and pulling in a most unrigourous way can this convergence pass as a 'logic of the relation binding sanctions politics to the IMF' (p.23). International finance capital, for whose advancement of interests the

IMF is the institution most responsible, was most annoyed about widespread activist interference in matters of a purely business nature between creditor and debtor. At the 1989 IMF/World Bank annual meeting in Washington, DC, one banker characterized the impact of the financial sanctions campaign thus: 'To be seen dealing with South Africa is tantamount to being diagnosed positive for AIDS' (*Business Day*, 29/9/89). Avoiding the street heat of the anti–apartheid movement was the primary reason why the banks did the third SA debt rescheduling deal in October 1989, nine months ahead of schedule. Trewhela repeatedly implies, somehow, that the financial sanctions campaign actually *serves* the interests of international capital, which is manifestly false.

What Trewhela is concerned with, apparently, is that after having made an arrangement with imperialism – using SA's 'debt as a weapon to bring political and social change' (p.22) – the ANC will necessarily be so beholden to international financial capital that the next logical step will be to welcome the IMF into the post–apartheid SA thus continuing the policy of transferring the bill from SA's financial crisis to the purses of poor and working people. But this is still largely hypothetical, and the test of ANC policy on who bears the cost of devaluation of SA's substantial foreign debt (not to mention the general international weight of debt and speculation) will only come in the decisions a post-apartheid government takes over its repayment.

At this writing (March 1990), there is no certain indication that the ANC will invite the IMF back to SA, with all that that implies, notwithstanding the pressure of the Commonwealth governments (Trewhela, p.23) and various US enlightened capitalists and politicians (*Business Day*, 16/1/90). ANC leaders may very well back Trewhela's argument that the IMF and banks propped up apartheid–capitalism in its time of direct need, and hence they may well be true to their constituents and to internationalist principles – by defaulting, by helping to organize a debtor's cartel of Third World nations, and by using whatever control they'll have over not insignificant gold reserves to influence the broader global financial devaluation that lies ahead.

Had Trewhela developed his argument about such a devaluation process in the 1920s just a bit further (p.22) he would have had to admit that those indebted neocolonial Latin countries were so backed against the wall that a huge wave of sovereign defaults in the 1930s was the only logical answer. The ANC, along with leaders of Brazil, Mexico, the Philippines and other countries facing substantial internal dissent over IMF austerity, may find that in the event of a global slump in the 1990s, a default – perhaps through a cartel – serves the interests of all South Africans, even the national bourgeoisie.

On the other hand the ANC may not come to that conclusion; I imagine that like many economic policy questions it's a matter of struggle – presently and in the future – within the organization. But for progressives in South Africa and throughout the world, what would seem absolutely crucial at this stage is to link financial sanctions against apartheid to the *not* contradictory drive to shift the burden of the global debt devaluation from the current victims –

e.g, Third World peasants, midwestern US farmers, workers across the globe inexplicably unemployed because of debt–induced corporate cannibalism, Northern taxpayers – to those who deserve to bear it: the international banks and their state supporters.

One step is for the international solidarity community to begin thinking about how, in the future, to force banks to write off apartheid debts that an ANC government would otherwise sacrifice social programmes to pay for, in the course of other campaigns (eg, by War on Want in the UK) to punish banks for Third World lending. Though such intervention in the circulation of capital may be a far cry from point of production organizing that Trotskyists favour, it should be clear that, as was the case in the 1930s, the manner in which (now, several trillions of dollars of) overaccumulated financial capital is devalued over the next decade, will have much to do with the uneven spacial development of capitalism, the nature of the international division of capital, and the geo–political arrangements that socialists will confront in the twenty–first century. (Hence the increased importance in the 1980s and 1990s of the uncertain role of monetary authorities in determining how the historically unprecedented levels of debt and speculation are to be maintained, through alternating fits of inflation and recession, without, they dearly hope, causing the immediate bankruptcy of the world's banking system and capital markets)

This is one reason why some socialists exploited the ties between their countries' banks and South Africa, and used these in all manner of creative struggles to unveil the anti–social activities of finance capital. It is here that Trewhela's argument – 'The debt strategy of the ANC/SACP is as foolish as it is hostile to the needs of the majority of the people' (p.22) – is particularly uninformed and pernicious. For even in backward US, in a variety of *local* financial sanctions campaigns against banks such as the infamous Chase Manhattan – aimed at ending credit or correspondent bank arrangements with SA – activists put together community/labour coalitions that also address other cutting-edge progressive concerns: bank 'redlining' of (ie, discrimination against) inner–city ghettos; farm foreclosures; Central American drug money laundering; Third World debt peonage; unfair student loan terms; and bank financing of union–busting corporations, to name a few (see, eg, *Dollars and Sense*, June 1987). Indeed, such a broad based coalition was an integral component of the United Mine Workers of America strategy against the Pittston Company in the US' most militant labour struggle in recent memory. This led in late 1989 to Manufacturers Hanover Trust facing civil disobedience and a boycott on the combined grounds of its lead position in a $100 million loan to Pittston, its redlining practices in Brooklyn, and its $210mn role in the South African debt rollover (US *Guardian*, 15/11/89).

What does this accomplish, though, towards hastening the next mode of production? 1) consciousness–raising about the lack of control communities have over their own capital and destiny in the face of ascendent international finance. 2) mass mobilising that represents some of the toughest anti–corporate politics in the US. 3) wresting concessions from the banks (eg, low–interest loans) which go a long way to support the worker–owned cooperatives, housing trusts, non-profit community credit unions and other embryonic reflections of empowerment and self-emancipation of the working class, in the process solving local bread and butter economic development problems democratically and with grassroots control. Four, building a broader movement (in the US, the 'Financial Democracy Campaign,' led by Jesse Jackson) explicitly aimed at fighting financial capital on major policy debates over the distribution of resources and over banking policy (eg, the $200 billion taxpayer bailout of US building societies). And five, promoting a class–conscious internationalism that is otherwise rather hard to locate in the US working class. Are these aspects of anti-finance campaigns useful as models for South African socialists? Probably, given the country's explosion of domestic corporate and consumer debt, though to be successful they would require a strategic redirection away from the current MDM ambivalence on the role of liberal financial capitalists in the democratic coalition.

In this vein, finally, while NUMSA and Moses Mayekiso can speak for themselves if they feel the need to do so, it's hard to see the logic of writing off a militant industrial union and community/labour leader (in Trewhela's words, 'formerly a leader of the left wing of the unions' (p.15) – and criticizing Cosatu for 'endorsing the ANC strategy of working through finance capital' (p.29 – *at exactly the moment* when NUMSA is bravely rejecting employee share schemes and fighting both ISCOR and council housing privatizations, and when, led by NUMSA, the unions have just mounted attacks against Barlow Rand and JCI using the very presumption (and hence strategy and tactics) that these firms represent centralised finance capital incarnate. Thanks to Mayekiso's leadership, NUMSA and the Alexandra Civic Organization are apparently considering seriously means by which union pension funds can be invested in a large housing cooperative on Alex's Far East Bank that would help the township withstand the wave of private housing finance that threatens to impose possessive-individualist values on the working class, as was done in the US in similar circumstances in the 1930s.

It might be reasoned that any political actors not explicitly demanding worker control of the means of production tomorrow are worthy of such derision as Trewhela heaps, but history is not played out purely in terms of capital–labour conflicts on the shopfloor. Every so often there arise massive *intercapitalist* contradictions within an overcompetitive world economy – exemplified by the current frantic flow of capital from productive to financial/speculative circuits – the resolution of which deeply affects the process of local surplus value extraction for decades to come. And Trewhela's simplistic utter rejection of popular battles against international financial capital which exacerbate these contradictions on behalf of progressive movements (like the ANC), is but an unfortunate side effect of ultraleftism.

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