MA Research Report

Topic:

Chinese Steel Imports in South Africa: The Power of Capital, Labor Struggles and the Balancing Act of the State in tackling Global Issues from a National Space

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Abbreviations

ACFTU	All-China Federation of Trade Unions
AMSA	ArcelorMittal South Africa
BBBEE	Broad-Based Black Economic Empowerment
BRICS	Brazil, Russia, India, China & South Africa
BTUF	Brics Trade Union Forum
COSATU	Congress of South African Trade Unions
DTI	Department of Trade & Industry
FOCAC	Forum on China-Africa Co-operation
GUFs	Global Union Federations
ILO	International Labour Organisation
IPP	Import Parity Price
ISCOR	Iron and Steel Corporation
ITAC	International Trade Administration Commission
ITUC	International Trade Union Confederation
MOU	Memorandum of Understanding
NEASA	National Employers Association of South Africa
NEDLAC	National Economic Development and Labour Council
NIC	NUMSA Investment Company
NUMSA	National Union of Metalworkers of South Africa
SACTWU	South African Clothing and Textile Workers Union
SAISI	South African Iron and Steel Institute
SEIFSA	Steel Engineering Industries Federation of South Africa
SSA	Sub-Sahara Africa
WTO	World Trade Organisation

Introduction

This research project was initially organized around Chinese Steel and Brazilian Food imports in South Africa, and how labour in SA waged its struggles around the imports and the kind of transnational solidarity it could mobilise within the context of inter-state relations between China, Brazil and South Africa under the auspices of BRICS. However, the research found a long, complex and highly contested process of engaging with the steel imports from China that entered South Africa from 2014. The imports from China affected other countries as well, leading to a global steel crisis. In South Africa, the imports had a differentiated impact in different sub-sectors of the South African steel industry, triggering a fierce contestation between the different fractions of capital over how to respond. The research thus followed and focused on the experiences with the steel imports from China and how the country organized itself in response. Within this refined focus the research examined the impact of the Chinese steel imports and the responses of labour and other stakeholders – business and government, and what the case revealed about the co-operation of two countries. Within this new focus the research was organized around the main question: 'How was the national space used to tackle global issues, with reference to labour struggles around the impact of Chinese steel imports in South Africa?

The main interest on the research project derived from the fact that literature on trade and trade union struggles has focused mainly on trade relations between countries of the North and those of the South and on North-based trade union structures such as the International Trade Union Confederation (ITUC) which waged a campaign to link the enjoyment of the benefits of free trade with the respect of trade union rights (Webster, 2015; Anner, 2000; Bieler, 2012; Lindberg, 2014; Bieler, Lindberg. & Pillay, 2008;). Not much attention has been given to trade union struggles around global issues, especially trade within the context of interstate co-operation in the South, at bilateral level or within the multilateral structures like BRICS. The project examines the challenges for labour deriving from the economic relations between China and South Africa, as key members of BRICS, based on an analysis of the impact of steel imports from China in South Africa. Though the research focused on the impact of the Chinese imports in South Africa, it examined the dimension of transnational labour solidarity as the crisis was of a global character.

This report finds that Chinese steel imports had a variegated impact in South Africa. They undercut major steel firms in the upstream sector, forcing companies like Evraz Highveld Steel and CISCO to close shop, with massive job losses ensuing, while others were left in serious financial difficulties. On the other hand, the imports were welcomed by firms in the downstream sector, which appreciated access to cheap raw and semi-processed steel, that they process into finished products. But it was the fraction of capital in the upstream sector that mobilized national action against the damage caused by Chinese steel imports. The power of this fraction of capital emerged through ArcelorMittal SA (AMSA), the leading raw steel maker in SA, which is also a local branch of the ArcelorMittal group - the world's largest steel manufacturer. Together with other steel firms such as Evraz Highveld Steel and Scaw Metals, AMSA put pressure on government and formed a coalition with the main steel sector trade unions – the National Union of Metalworkers of South Africa (NUMSA) and Solidarity, that managed to secure a range of WTO compliant government protective and support measures in response to the impact of the overwhelming imports from China.

However, the government responses struck a balance between the interests of firms in both the primary and downstream sectors.

The report finds further that the South African trade unions made effective use of the national space to leverage the provisions of the global trade regime to protect the jobs of their members and the industries employing them. This they did by entering into a coalition with the fraction of capital in the primary steel sector led by AMSA, that was affected by the imports. The power of ArcelorMittal as a key local and global steelmaker was critical in leading and moving national engagements around the crisis, thus highlighting the influential role of corporations in the way countries structure and manage their inter-state relations. The effective use of the national space further demonstrates the continuing relevance and power of the states in handling global issues. The Global Union Federation (GUF) in the manufacturing sector – IndustriALL, convened an international discussion around the steel crisis between unions from affected countries, which facilitated the sharing of information and exchange of strategies. But no joint global strategy evolved. This is partly because the trade unions in China could not be drawn into any solidarity action with their counterparts from SA and other countries, as they are deemed to be linked to the Chinese state and capital, and therefore supportive of the Chinese national interests (Lambert & Webster, 2017; Pringle, 2018)). They are also not part of international trade unions structures through which they could be engaged around the crisis.

The research report is structured as follows. It starts with a review of literature on trade unions struggles, followed by a discussion of the methodology of the research. It will then go into the findings, which start with a brief overview of the relations between China and South Africa, touching on the economic relations and the factors that enabled the easy with which Chinese steel entered the South African market. The report will analyze the steel industry in South Africa and how it was impacted by the steel imports and then look at the responses of the stakeholders – capital, labour and the state. It will conclude by discussing the importance of the findings.

Chapter 1: Review of literature on labour struggles around trade

This section looks at the literature on trade union struggles around global issues, with reference to trade union responses to foreign trade. It will emerge from the cases covered that literature has mostly focussed on the role of trade unions around trade issues at a global level or in the context of trade relations between countries of the North and those of the South. Literature coverage of trade union engagement with trade in the global South – at bilateral level or within multilateral structures, has been limited. This is partly because the majority of the countries of the global South have similar economic structures which do not facilitate much trade between them. They as such tend to trade mostly with the North, exporting raw material and importing manufactured goods, which is when some problems are experienced. But the case of the Chinese steel imports in South Africa reveal an emerging situation of growing trade relations among the countries of the global South. As such the role of trade unions in the growing trade relations will also expand, and will benefit from experiences from around the world. The literature covered in this section looks at recent and old cases of labour struggles around global issues such as trade, the agenda pursued in the struggles and the strategies applied, especially how the unions related to capital and the state.

Labour struggles around trade gained prominence in 1999 in Seattle when labour leaders and activists joined other social movements in protests against the third Ministerial of the World Trade Organisation (WTO). The issue for labour was the demand that rules governing international trade should include respect for international labour standards (Anner, 2000). Linking trade and labour standards would ensure that only countries respecting core labour standards would enjoy the benefits of free trade. On the other hand, those violating international labour standards would face trade sanctions applicable within the WTO. While labour's demand was not achieved – due to serious disagreements around the demand, there was a feeling that the efforts in the street and in the Ministerial discussions managed to raise the profile of the struggle towards universalising core labour standards.

But the protests in Seattle were not the first case of visible labour action around trade. The first case emerged probably around the time of the US Civil War in the late 1850s and early 1860s (Foster, 2000). This was a war against slavery that affected the supply of cotton from the US to the textile industry in Britain. Reduced supply of cotton affected production in British textile factories, resulting in massive job losses. But since textile was the foundation of industrialisation in Britain, disruption of production affected the foundation of the British economy. This compelled the British government to seek to intervene militarily to crush the resistance to slavery in order to restore supply of cotton. But the labour movement in Britain mobilised in support of the struggle against slavery and in opposition to the British intervention. In doing so the British working class "went against their own immediate economic interests" to express support for an end to slavery (Foster, 2000: 4).

The point about labour struggles around trade is that they have mostly emphasised the insertion of labour rights in trade and other economic co-operation agreements between states. There are not many cases of a labour agenda that speaks to imbalances between different economies and therefore different requirements regarding demands for market access. Bieler (2012) exemplified this dilemma by pointing to a situation in 2008 on the occasion of the WTO Doha round when the European Automobile manufacturers demanded reciprocal market access in developed, emerging and developing countries. This was despite the evident imbalances between the regions that would result in unequal distribution of costs and benefits. The demand was supported by the European Metalworkers Federation, stimulate dismay and anger from trade unions in the Global South, led by COSATU. The case demonstrated the challenge labour would face developing a unifying agenda and the pressure unions face to pull behind the interests of their states and capital.

Lindberg (2014) makes the point that with the establishment of the WTO, a deeper market liberalisation has evolved, which creates winners and losers among trading nations. Unions on the side of the winning nations enjoy secure and expanding employment opportunities, and become content with the system. There are “no instruments available for a balancing of benefits and costs on a global scale” (Lindberg, 2014: 139). This induces unions on the side of the losing nations to become protectionist and nationalist. In this context transnational solidarity becomes a distant possibility. Consequently, Lindberg (2014: 140) argues for the restoration of the “national space as a space to regulate labour markets, space for industrial development strategies, for national economic policies for full employment”. Essentially Lindberg argues for transnational co-operation around a labour agenda to be pursued in the national policy space to offset the deleterious effects of international trade.

But free trade does not only create winners and losers between trading nations. It creates winners and losers within nations as well. This is because trade can affect different industries in different ways. Importation of goods could be harmful to some industries, while being helpful to others. This is derived from the fact that capital is not same. As Poulantzas (1978: 72) indicates, the capitalist class is characterised by differences “between comprador monopoly capital, national monopoly capital, non-monopoly capital, industrial capital or finance capital”. Capital can also be differentiated according to “branch of production such that you have mining capital, manufacturing capital, industrial capital; or according to nationality, such that you have “British capital, South Africa capital, local capital” (Clarke, 1978: 34). For Clarke (1978: 35) the key about fractions is that they should have “pertinent effects at the political level”, largely meaning the ability to influence government policies. The significance of understanding the differentiations within capital is that the different fractions have different interests and would be affected differently by trade. This makes it possible for labour to enter into coalitions with those fractions that are affected negatively by foreign trade in pursuit of joint national responses.

Trade union engagement with capital and the state within the national space to respond to the harm caused by foreign goods has a history in South Africa. In the early 2000s the South Africa clothing and textile industries experienced a surge in imports from China. According to Vlok (2006: 228), that “resulted in an unprecedented crisis in the industry, characterised by large-scale loss of employment, in which the South African Clothing and Textile Workers Union (SACTWU) recorded more than 55,500 job losses”. Through the union’s initiative a “task team was convened by the Minister of Trade & Industry, comprising of representatives of industry, government and SACTWU” to address the crisis (Vlok, 2006: 243). The union submitted proposals that were adopted by the task team, that sought to protect the industry, improve its competitiveness and enable it grow. These included calls for the implementation of “safeguard measures on Chinese imports, controls over illegal imports, training of workers, improvement of technology, improving product design and innovation and promoting local sourcing by retailers” (Vlok, 2006: 243-244). Out of the engagement government introduced quotas which limited the volumes of Chinese goods that could enter the South African market (Makgetla, 2006). This case attests to the power of the state in responding to global forces.

The significant role of the state in transnational campaigns against global forces emerges strongly in the work of Seidman (2009) on how corporate codes of conduct have been used to force a change in the way corporations behave. Major US corporations in the clothing and textile sectors have established codes of conduct which embodies decent acts of conduct to govern the way the corporations and their suppliers should behave. The problem has often been around the enforcement of the codes which inspired labour and human rights groups in the US to campaign around independent monitoring of compliance with the codes. The campaigns linked the US activists with their counterparts in foreign countries where the US companies operate. In discussing aspects of the success of the campaigns, Seidman highlights two key issues. That transnational campaigns tend to succeed when "labour issues are redefined as human rights issues" instead of "workplace-based concerns" (Seidman, 2009: 6-7). This is ostensibly because labour issues in their purest form would appeal to small constituencies, whereas human rights issues would often have a broader appeal. Secondly, the role of the state, especially in the foreign country, has been helpful. Seidman cites the case of Guatemala where a campaign against corporation violating its own code was greatly boosted when a government Minister threatened to cancel the company's export licence. This forced the company to stop suppressing union activity and intimidating union leaders. This means even in small and poor countries, the state has the leverage to regulate global forces and such regulatory powers are able to win significant concessions. But the state had to be pushed by transnational campaigning to take action.

McCallum (2017) concurs with Seidman around the value of global campaigns and of global organisational structures to tackle global issues. But his work shows the importance of establishing local organisation and power for global campaigns to succeed. McCallum looked at the global campaign by UNI to establish global rules to govern the behaviour of G4S, the world's largest private security company. The campaign enabled UNI to sign a framework agreement with G4S. In driving the campaign, UNI sponsored union recruitment campaigns in the various countries where G4S operated, including South Africa, India, the UK and in various parts of Eastern Europe. Local organising led to huge increases in union membership, contributing to building local power through which workers achieved significant improvement of wages and work benefits. In South Africa for instance, "union membership among security guards spiked from 8, 000 to 36, 000" while union membership among Indian security guards grew from 1,500 to 17,000 in Bangalore, and from 12, 000 to 20,000 in Kolkata" (McCallum, 2017: 214). Based on strong local power, UNI was able to negotiate and sign a framework agreement with the company which set the rules empowering the unions to regulate the behaviour of the company. McCallum (2017: 215) uses the concept of "governance struggles to refer to labour struggles to "new rules of engagement with large companies".

Moody (2000) further referred to numerous cases in the US where labour – alongside capital, fought to ensure the US government banned imports from other countries – starting with Japan earlier, to China in recent times. This highlighted again the use of the national space to leverage protections against foreign goods in order to promote local consumption. But Moody (2000: 11) warns that against the emergence of "economic nationalism and protectionism" on the part of labour that would compromise efforts towards cross-border solidarity. However, there were instances where “economic nationalism co-existed with genuine internationalism on the part of the US labour movement” when it supported the fight for the rights of immigrant workers – after they were initially regarded as stealing local jobs from the US workers (Moody, 2000: 14). This means labour attitudes towards foreign goods and foreign workers will sometimes be surrounded by inconsistencies and contradictions. For him the issue is to encourage more internationalism and less economic nationalism. However, he qualifies his position by declaring unconditional support for nationalism of the oppressed and weaker nations in their encounter with imperial and stronger states.

A number of key issues emerge from the literature covered in this section. Trade unions have a clear unifying agenda in fighting around global issues such as the role of multinational corporations. Trade is an area in which a clear and unifying agenda is lacking. In tacking trade, trade unions enter into cooperation with capital – to demand improved protections or market access. The national terrain is a valuable space in responding to global issues – as a terrain to build power to fight globally or to leverage mechanisms of tacking global issues like trade. The state plays a vital role in the struggles around global issues – whether trade or multinational corporations. Power and campaigning in the national space play a huge role to push the state to act.

The next section looks at the methodology of the research project.

Chapter 2: Research Methodology

The research was mainly exploratory, focussing on examining the responses of labour to trade, the strategies employed and the challenges faced within the context of interstate co-operation in the South. Labour struggles around trade in the Global South is a relatively new terrain or one which has not received excessive attention. Previous research concentrated mostly on North-dominated international trade unions structures such as the ITUC. Wagner (2012) describes exploratory research as about examining a topic that is new or on which not much has been written in an extensive way.

2.1. Research Approach

The project followed the qualitative approach which analyses social reality through deeper methods of data collection such methods as in-depth interviews, focus groups, participant observation and case studies (Greenstein, Roberts & Sitas 2013). A qualitative research mostly "collects information in the form of words" (Wagner, 2012: 8). It is used for exploring, describing and explaining social reality. As Greenstein, et al, (2013: 51) point out, the qualitative method is very useful "when you are exploring new territory". The research project sought to explore trade union responses to trade issues, based on the particular case of steel imports from China in South Africa. The qualitative method and its orientation towards deeper exploration and case studies emerged more suitable to analyse the role of trade unions in the new terrain of trade and the specific aspect of the Chinese steel imports.

2.2. Data collection instruments and procedures

Data refers to the "information that is used for purposes of description and analysis of reality" (Greenstein, Roberts & Sitas, 2003: 10). In this project information was collected for purposes of analysing how imports from China affected the steel sector in South Africa and the responses of the stakeholders. Such data was collected from informants linked to the case from business, labour and the state. It was also collected from documents produced on the case by the informants.

The instruments used in collecting data included review of documents and interviews. Documents reviewed include media reports on the case, trade union positions developed and the written submissions made to government. These documents were sourced from the internet, the websites of the unions or requested from the union portfolios connected to the cases. Interviews with seventeen respondents were conducted, consisting of the affected trade unions – NUMSA and Solidarity, and representatives of affected companies and industry associations, as well representatives of government departments and institutions. The individuals interviewed were senior managers, directors, researchers, national organisers and political leaders involved in the case. Shopstewards from the companies affected by the imports were also interviewed. The breakdown was as follows:

- **Shop stewards**: 4 were interviewed – 2 from Highveld Steel (primary steelmaker), 1 UNICA (downstream sector), 1 Vanchen (vanadium). Actual shop stewards names withheld.
- **Researchers**: 3 interviewed, consisting of 2 from NUMSA – Tengo Tengela, former NEDLAC representative & Crystal Dicks, former national researcher. Also

Etienne Vlok, researcher from SACTWU, who spoke about experiences with clothing imports from China. Vlok is also a part-time Commissioner with Itac

- **National union officials**: 2 from NUMSA – Hlokoza Motau, former International Officer who participated in international meetings on the steel crisis; George Chosane, former campaigns Co-ordinator
- **National union leader**s: 1 from Solidarity, Marius Croucamp, Deputy General Secretary
- **Company representatives**: 1 from ArcelorMittal SA (AMSA), Alpheus Ngapo, Marketing Director
- **Industry Associations**: SEIFSA: 2 interviewed – Michael Ade, Economist and Lucio Trentini, Senior Officer.
- **Industry Associations**: NEASA – 1 interviewed: Gerhard Papenfus, CEO
- **Government Department**: 1 from the Department of Trade & Industry (DTI), Umeesha Naidoo, Director: Primary Mineral Processing (incorporates primary steel and minerals)
- **Government institution**: 2 from the International Trade Administration Commission (ITAC), Lufuno Maliaga and Nomonde Somdaka, Tariff Investigations Units 1 & 2 respectively

Interviews followed a semi-structured format where issues discussed and questions answered are listed but there is flexibility for the respondent to speak more broadly to the topics (Greenstein, Roberts & Sitas, 2003). The interviews took place in the venues accessible to respondents, especially in their offices. Where face-to-face discussions were not possible, telephone interviews were conducted.

2.3. Sampling

The project could not conduct interviews with all individuals within the trade unions. Therefore, only a small portion of the overall group were engaged. The process of selecting a portion of the overall group or population being studied is called sampling (Giddens, 2006). Samples are governed by the principle of representativity to ensure its findings are able to be generalised to the total population. The most acceptable method of sampling is the random or probability sample, which ensures that every member of the population has an equal chance of being selected into the sample. However, this project used the purposive sampling, which targeted “particular individuals and categories of individuals for investigation” (Greenstein et al., 2003: 36). In this project individuals within the affected unions, from affected companies and industry associations that are connected to the Chinese steel imports were targeted for interviews, as well as representatives the state structures that were involved in the case. Furthermore, only documents and union programmes linked to the case were targeted for investigation.

2.4. Data analysis

The project employed the thematic analysis approach in the analysis of data. According to Greenstein et al (2013) the thematic approach involves a number of steps in the analysis of data. The collected data was organised from written notes, where the sources of the data and the dates of collection were reflected. This made the data eligible for thorough reading where the key points emerging were picked up, with attention paid to the language used by the respondents. The emerging points were then arranged according to the themes they represented. This involved checking the variables in the themes and their relationships. Tensions and contradictions between and within the themes were highlighted. The emerging themes were further examined in relation to the research question to assess the themes whose explanations were more compelling in refuting or confirming the research question.

2.5. Ethical considerations

Ethical considerations are about efforts to protect the dignity and privacy of participants and ensure they are not subjected to any physical or emotional harm as a result of the participation in a research (Ogletree & Kawulich, 2012). This research project sought to comply with these ethical considerations. Critical in this regard was the importance of providing full information about the research and obtaining consent from respondents regarding their participants in the project. It was explained to the participants that they have the right not to answer any questions they may feel uncomfortable to answer and that they were free to end participation in the research anytime they may deem it necessary to do so. Furthermore, it was explained to the participants that there were no rewards for participating in the research and no penalties for refusing to participate. Information provided confidentially was treated with respect and where it was used, the identity of the source was not be revealed. Where respondents are named, this has been with their consent and because they are experts or representatives in their respective organisations.

The next section captures the findings of the research. The findings start with an overview of the relations between China and South Africa. It will look into the economic relations between the two countries, including the trade agreement that governed the handling of the steel imports from China. The section will then reflect on the steel industry in South Africa and how it was affected by Chinese imports.

Chapter 3: China – South Africa relations: A brief overview

Relations between China and South Africa have a long history and operate at different levels. Alden & Wu (2014: 5) trace the relations between the two countries back to the "late 19th when the first group of Chinese migrants landed in South Africa". This group was followed by thousands of Chinese workers who were attracted by the discovery of gold and diamonds. From these groups emerged a Chinese community – the largest in Africa, that settled in South Africa on a permanent basis. While relations were interrupted by the period of apartheid rule, they were re-established in 1998 following the dawn of democracy in South Africa. Since then the relationship has grown to a comprehensive strategic partnership in 2010, being the superior interstate co-operation China can establish with another country. The intensification of relations occurred following South Africa's recognition of China as a market economy, making it eligible for significant concessions in the area of trade. Furthermore, China relates to South Africa within the context of the Forum on China and Africa Co-operation (FOCAC) as well as within the Brazil, Russia, India, China and South Africa (BRICS) and the Belt & Road Initiative (Songtian, 2018).

The relations between China and South Africa involve co-operation in the international structures mentioned above, as well as bi-lateral co-operation in the fields of education, the military and agriculture. Strong economic relations have also emerged, with China becoming a main import and export partner of South Africa. As of May 2017, about 7.8% of South Africa's total exports went to China, while 18.7% of imports in South Africa are accounted for by China (Moosa, 2017). Two issues characterize the trade relationship. Firstly, there is a "negative trade balance" accruing to South Africa, based on a 10% and growing trade deficit (Alden & Wu, 2014: 15). Secondly, South Africa exports minerals – accounting for 76% of exports to China, while importing mainly manufactured Chinese products. This means the character of trade appears to follow the traditional North – South economic relations. However, the two countries have agreed to co-operate in ensuring that South Africa include value-added products in its exports to China. A joint working group was established to pursue this objective. In the area of investments, Lin Songtian (2018), the Chinese ambassador to SA, indicates that China has emerged as major foreign investor in South Africa, with existing and planned direct investments reaching a total of $25billion. Both public and private investors[1] are involved in sectors such as mining, manufacturing, finance, telecommunications and energy. Interestingly, South Africa is not just a recipient of investments from China. South African private corporations have investments in China of over "$800 million, in areas such as mining, food and beverage, telecommunications and media" (Alden & Wu, 2014:22). Despite the small amounts involved in the South African investments, it is the only African country to invest in China.

While the co-operation between China and South Africa appears to be extensive and intensifying, it is accompanied by huge imbalances and problems. China is the second biggest economy, accounting for 14.84% of the global GDP, with South Africa making only 0.42% (Maharaj, 2018). In the area of investments, China is driving a particular approach to its

[1] Chinese private investors in South Africa include Hisense, a white goods manufacturer; Huawei, a telecommunications giant, Jidong, a cement manufacturer, Shangai Zendai property in property market (Alden & Wu, 2014).

investments with regard to issues of ownership and control of output. China invests in the iron ore and chromium mines in the Limpopo province, which are critical for the production of steel. Chinese investors would acquire minority shareholding and provide the required technology. In return they seek arrangements that guarantee them access to mineral supplies, that are shipped to China for beneficiation. It is this arrangement that has characterized the Chinese economic engagement in the South African mining sector as "focused not on investment but trade" (Alden & Wu, 2014: 19). It can also be deduced from this arrangement that South Africa is effectively prevented from using its mineral resources to expand its levels of industrialization through value-addition as it is forced to export some of its minerals to China.

Another problematic aspect of the relationship revolves around the recognition of China as a market economy. According to Makgetla (2006) and Steyn (2016), South Africa granted China the status of a market economy in a Memorandum of Understanding (MOU) signed by the parties in August 2006. South Africa was experiencing a sudden surge in cheap clothing and textile products from China, which led to the loss of 55,500 jobs and destruction of production capacity in the clothing and textile industries. At the instigation of the South African Clothing and Textile Union (SACTWU), government negotiated quotas on the Chinese imports. China agreed to the quotas, designed in line with WTO provisions, in return for its acceptance as market economy by South Africa. As Makgetla explains, in terms of the provisions in the MOU, when China is accused of dumping goods, the prices in China will apply and not those in the independent country, in this case South Africa. Effectively it means SA cannot apply anti-dumping duties against Chinese goods. As Umeesha Naidoo[2] further explains:

> By granting China the market economy status means we as South Africa accepts that they operate according to market rules. It means we believe that their economy is not based on market distorting practices. If we accuse China of dumping, which they have always denied, we face the obligation to prove the allegation. It is very difficult and expensive to prove a case of dumping. Those countries that applied anti-dumping duties against China did so before it was admitted into the WTO. Admission into the WTO means that China is deemed to be operating according to market economy rules.

The next section discusses the steel industry in SA and how it was affected by imports from China from around 2014.

3.1. The steel industry in South Africa

Steelmaking is a strategic activity supporting various industrial activities in an economy. According to the Creamer Media's Steel Report (2017: 16) South Africa is "one of only 65 countries worldwide with primary steelmaking capability". The country occupies the twenty-fourth spot among the countries with the largest crude steel production capacity in the world. The primary steel industry accounts for 1.5% of South Africa's GDP and employs about 190 000 workers. The steel industry supports major sectors such as building and construction, automobile manufacturing, mining, structural steel and cable and wire. Collectively, these sectors account for 15% of GDP and employ about 8.20 million workers (DTI, 2018).

[2] Interview with Umeesha Naidooo on the 13 – 01 -2020, at the DTI offices. Naidoo is the Director of Primary Mineral Processing, that include primary steel and minerals

The primary steel sector produces primary or raw steel material and semi-finished products. These products are further processed into completed steel products in the downstream sector (Moolman, 2017). The main steel mills in South Africa – which form part of the primary or upstream sector - include ArcelorMittal South Africa (AMSA), Evraz Highveld Steel & Vanadium, Scaw Metals and Cape Gate. ArcelorMittal South Africa holds the largest share of the steel market, supplying 61% of the steel used in South Africa, employing about 12 841 workers (Creamer Media's Steel Report, 2017; NewsHub, 2016). AMSA is a branch of ArcelorMittal, the largest steel producer in the world which was formed out of the merger of Arcelor (of Luxembourg) and Mittal of India in 2006 (Trade Monitor, 2016; Hlatshwayo, 2014). Hlatshwayo (2014) points out that AMSA emerged in 2007 after ArcelorMittal purchased the Iron & Steel Industrial Corporation (ISCOR), the former state-owned enterprise which was privatized in 1989.

ISCOR[3] - and later ArcelorMittal South Africa, benefited from two processes to become dominant. Firstly, it secured a preferential supply agreement for iron ore that ensured highly reduced input costs (Papenfus, 2016). Secondly, the company sells its steel to the downstream sector based on import parity prices (IPP). The "import parity local buyers pay the same price for steel produced locally as the price they would pay if it came from overseas" (Ashman, 2017: 4). This results in additional costs of about 35% on top of the normal price, after the artificial shipping costs are added. This means AMSA produced its steel using low-priced inputs and then sold it to firms in the downstream sector at high prices. In this context AMSA reaped huge profits used by its parent company to "subsidize its operations elsewhere in the world" (Ashman, 2017:4).

The other steel mill worth a brief reflection on is Highveld Steel & Vanadium. The company was established by Anglo American in the 1960s as an integrated steel and vanadium company (Terence Creamer, 2017). It was then bought by Evraz, a Russian steel and vanadium group, in 2007, to become Evraz Highveld Steel & Vanadium. The company was forced to close down in early 2016 due to heavy competition from cheap Chinese steel imports that arrived in South Africa from around 2014. This resulted in 2,200 workers losing their jobs without any retrenchment packages and the country losing a valuable steelmaking facility.

According to Zalk (2016) the acquisition of major South African steel firms by foreign corporations was a common phenomenon from the late 1980s onwards. Most of these firms were housed in monopolies and conglomerates such as ISCOR, Anglo American and Rembrandt. Inspired by the "shareholder movement of the mid-1980s, which emphasized increased returns to shareholders, the monopolies and conglomerates were unbundled" (Zalk, 2016: 11). This was meant to ensure the consolidation of individual businesses in sectors in which they could make more profits and ensure huge returns for shareholders. In this context the iron ore mining and steel operations of ISCOR were separated, with the steel section taken over by ArcelorMittal. Within Anglo American, the shareholders decided on focusing on mining, such that steel firms such as Highveld Steel and Scaw were sold off. That is how Highveld Steel got to be bought by Evraz. Likewise, Rembrandt unbundled and sold its steel firm – Dorbyl.

[3] ISCOR operated an iron ore mine that supplied iron ore for production of steel. The mine was sold as part of the unbundling process that preceded privatisation in the late 1980s (Zalk, 2016).

The foreign companies borrowed money to acquire the South African steel firms, accumulating a huge debt load. Zalk (2016) points out that these foreign groups then treated the acquired firms as cash cows. Their profits were used to pay off the debt accumulated by the new foreign parent companies. In some cases, this compromised the need to maintain and modernize the acquired operations, affecting their continued profitability. But even more worrying for Zalk (2016: 14) was the fact that "unconditional transfers to foreign ownership subordinated national industries to the global strategies of the transnational parent". In this regard the viability of the firms and their contribution to national development were affected.

Marius Croucamp[4] concurs, using Evraz Highveld Steel as an example. The company experienced problems well ahead of inflows of Chinese steel imports. He indicated that:

> The Russian owners did not take good care of the company. They never bothered to modernize or invest in the company. They only milked what was a viable and profitable asset and left it dry. This left the company weakened and unable to withstand competition from cheap Chinese imports.

Croucamp went further to say competition forced the company into liquidation and it was taken over by creditors. Production was halted and workers were retrenched. However, after noticing the value of some of the facilities, the creditors managed to secure a deal that led to the reopening of the structural mill section (Terence Creamer, 2017). The deal involves an arrangement with AMSA, where AMSA provides blooms and slabs that are processed into angles, beams, columns and rails. The reopening of structural mill ensured that 500 workers were taken back and some of the retrenchment monies owed to workers were paid. The closure of Evraz Highveld Steel is seen to have highlighted the danger posed by the Chinese steel imports and the steel crisis that started around 2014.

3.2. Chinese steel: The Global steel crisis and its origins

The world steel market experienced a sharp decline in demand in 2014, in the context of increasing steel production (Trade Monitor, 2016). The main source of global overcapacity was China, which accounts for half of global steel production. Declining demand of steel in China forced the country to export large volumes of its production at low prices. A large portion of the Chinese steel exports landed in South Africa. Chinese steel makes up 60% of South Africa's total steel imports. Mark Ronan (2015), the Cape Town correspondent of the Hong Kong Trade Development Council, reported that South Africa experienced a 70% increase in steel imports in 2014. Much of the steel, which came from China, was selling at about 25% less than the prices of steel in South Africa. This saw local companies losing market share and facing serious revenue problems, resulting in plant closures and job losses.

Several factors account for the competitiveness of Chinese steel apart from the practice of dumping. The Chinese government provides significant support for production of steel in the form of "preferential loans and directed credit to steel companies; an undervalued currency; government take-over of non-sustainable company debt; land use discounts; electricity subsidies and preferential tax as well as reduced VAT" (Joint Steel Task Team, 2015: 6-7). These measures assist producers to sell and export steel at very low prices. Hlokoza Motau,

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[4] Interview with Marius Croucamnp, the Deputy General Secretary of Solidarity. Interview held on the 21 May 2018 at the FES offices. Solidarity is a union organizing mostly highly skilled workers and has 28 000 members in the steel sector

the National Organizer at the National Union of Metalworkers of South Africa (NUMSA) believes that China's capacity for volume production enables its companies to sell steel at low prices[5], thereby benefiting from economies of scale. The point though is that when the largest producer of steel offers huge subsidies to its producers, it tilts the game enormously in its favour (Fahamu, 2015).

Viljoen (2016) points out that steel in South Africa has become uncompetitive because of structural factors. The local steel industry operates on the basis of outdated production facilities and technology; companies produce limited product ranges, forcing their customers to imports other products; the quality of local products is often poor and the upstream sector has been caught in uncompetitive practices such as price fixing. But not all companies operated with old technology and facilities. As Hlatshwayo (2014: 289) points out, ISCOR/AMSA implemented "three types of technological changes – introduction of new machinery, the upgrading of existing machines and increased use of computer technology in the production process" since 1989 when the company was privatized. These changes included the commissioning of a chrome plated steel line; the introduction of electro galvanized sheets, as well as the upgrading of the blast furnace and the hot-strip mill. Following the introduction of the technological changes "revenue generated by the company increased from R5,950m in 1989 to R32,291m in 2012" (Hlatshwayo, 2014: 291), pointing to the positive impact of the changes[6]. The problem was that trade unions did not have the capacity to intervene in the changes and contest the distribution of the benefits accruing. However, Wilkinson (2016) points out that steel companies in South Africa have faced increases in electricity tariffs, electricity interruptions and rising rail costs. This affected efficient and competitive manufacturing of steel. This means there are multiple problems facing steel production in SA, even though cheap steel imports from China had a huge impact in the industry.

3.3. The impact of the Chinese steel imports in South Africa

The different sectors of the steel industry – the upstream and downstream sectors – were affected differently by the Chinese imports. The upstream sector was affected negatively. Companies in this sector lost market share; some major steel mills were forced to close shop – including Evraz Highveld Steel and CISCO; jobs were lost – with 11 000 jobs lost in 2015 alone, and companies had to content with low capacity utilization (Viljoen, 2016; Steyn, 2016 & Joint Steel Task Team, 2015). But former NUMSA national officials – Crystal Dicks[7] and Tengo Tengela[8] were convinced that the number of jobs lost as a result of the impact of the

[5] Interview with Hlokoza Motau, the Head of Organising, Campaigns and collective Bargaining at the NUMSA, on the 26 March 2018 at the NUMSA Head Office. At the time of the arrival of the Chinese steel products, Motau was heading the union's International Department. His views came in the context of exploring the situation of international solidarity around the challenges evolving from the Chinese steel imports.

[6] In an interview on the 22 October 2019 with Gerhard Papenfus, the CEO of NEASA which represent firms in the downstream sector, the changes at AMSA were acknowledged. But he argued that AMSA started from far behind and is not yet closer to the superior techniques of Chinese firms which produce efficiently.

[7] Interview with Crystal Dicks held on the 4th April 2018 at the FES offices. Dicks was involved in the work of the Joint Steel Task Team consisting of labour and employers, formed to develop responses to the steel crisis

[8] Interview with Tengo Tengela, a former NUMSA representative at NEDLAC – SA's social dialogue institute. Interview was held on the 7 May 2018 at the NEHAWU Parliamentary offices where Tengela is now based

Chinese steel imports between 2014 and 2017 went well beyond 100 000, taking from the retrenchment notices received by the union.

The situation in the downstream sector was different as most firms were affected positively by the Chinese imports. The sector sources raw or semi-processed steel and processes it into finished products. Firms in the sector suffered from high costs of primary steel, especially from the dominant player – AMSA, which charged steel at exorbitant prices (Ashman, 2016). The inflows of steel imports from China enabled firms in the sector to benefit from access to cheap primary steel. This means the sector could no longer have to depend on AMSA alone for inputs.

An example of a firm in the downstream sector that benefitted from access to cheap steel from China is UNICA Iron & Steel. UNICA is a steel firm based in Babelegi, near Hammanskraaal, outside Pretoria. The company melts semi-finished steel and scrap to produce different steel products such as flat bars, square bars and round bars. Sipho Tau[9] a worker leader at UNICA indicated that the company overstocked the steel products from China, taking advantage of its affordability. This led to overproduction at UNICA that forced the company to retrench workers, with those remaining put on short-time. But soon UNICA's products were returned as customers complained about the quality of the products. Also, when it rained the products made from Chinese steel rusted. As Tau explained:

> The products made from the Chinese steel were returned and UNICA had to redo them again. With more complaints from customers and more products returning, UNICA was getting bad publicity in the media. It was losing money and customers. The company then stopped buying the Chinese steel and went back to South Africa steel. Business started to improve and the old customers were returning.

The story from UNICA suggests that an advantage gained from accessing cheap inputs soon turned into a disadvantage for the workers. It also belies the idea that the Chinese steel was of better quality in comparison with South African steel. But Gerhard Papenfus[10] of NEASA painted a different picture about the benefits derived from accessing cheap steel from China:

> With access to cheap inputs, our members were able to produce not only for customers in South Africa, but for the entire Sub-Saharan African market. We gained a valuable export market. But the window of opportunity did not last long as tariffs were introduced. Then our products became expensive and customers in SSA stopped buying from us. We lost the export market in SSA.

The stories of the upstream and downstream firms point to the different ways in which different businesses came to experience Chinese imports. Where one group saw an advantage, the other group experienced a setback. As a consequence, the two groups responded differently to the steel imports from China. The companies in the upstream sector called for government protections against the imports in the form of tariffs. Those in the downstream sector which benefitted from access to cheap Chinese steel imports, opposed the idea of tariff protections.

[9] Telephone interview with Sipho Tau, a shop steward at UNICA, on the 9 April 2018. Sipho Tau is not his real name

[10] Interview with Gerhard Papenfus on the 22 Oct 2019 in Pretoria. Papemfus is the CE of NEASA

The next sections of the findings reflect on the interventions of key stakeholders in the case - capital, labour and the state, and the contradictions and tensions that emerged strongly within and between the stakeholders.

Chapter 4. Strategic Power of Capital – AMSA spearheads national interventions around the steel imports

This section captures the reaction of capital to the inflows of cheap steel products from China. It will show the differentiated way in which the Chinese imports affected the steel industry in South Africa. The contrasting impact led to contradictory responses between the upstream and the downstream sectors, triggering a fierce contestation in an attempt to influence the direction of the responses of the state.

As indicated above, the Chinese steel imports affected the primary or upstream steel sector negatively, resulting in the closure of some companies. The competition from the imports took a knock on the finances of ArcelorMittal South Africa (AMSA). Steyn (2016) points out that in 2015 the company's finances showed losses that went up to R8.5 billion, while its share prices fell down by 62.5 %. The financial losses came in the context where AMSA was treated as a cash cow by its Luxemburg-based parent company – ArcelorMittal, which used profits from AMSA to pay off the debt it accumulated to finance its global expansion (Zalk, 2016). It is within the context of the problems faced by AMSA that it "spearheaded the fight for import protections" (Creamer Media's Steel Report (2017:16). As Alpheus Ngapo[11], the Director of Marketing at AMSA indicated:

> There was excess capacity in China after years of huge investments in steel production. Steel production benefitted from state subsidies, making it possible for them to sell their steel very cheap. When they released their excess steel into the global market, it generated a crisis, as steel producing countries could not compete. In South Africa custom duties were scrapped and export incentives were cut down. As such Chinese steel enjoyed unhindered entry.

Ngapo points out that the cheap imports from China affected AMSA badly, adding:

> We could not reduce prices to match the Chinese imports as we would enter into losses. In the situation we opted to approach the DTI to ask for the introduction of duties up to 10% in line with the bound rates at the WTO. We made an application at the ITAC as the trade administering body and engaged the DTI as the political authority in charge of trade.

Following the application to ITAC, AMSA drew in other companies affected by the steel crisis, such as Evraz Highveld Steel, Scaw Metals and Macsteel, as well as the main industry federation – SEIFSA. The group then engaged the labour unions[12] – NUMSA and Solidarity, resulting in the formation of a joint task team that formulated a set of Steel Crisis Demands[13]. A key element of demands was a call for government to implement import duties up to WTO bound rates of 10% (Joint Task Team, 2015). Other demands are discussed in full below.

But the interactions with government were slow in providing protections and in the meantime the financial situation at AMSA became so severe that the board of ArceloMittal was forced to consider shutting down company's operations in Vereenining (Financial Mail, 2015).

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[11] Interview with Alpheus Ngapo, the Director of Marketing at AMSA, on the 29 -01-2020, in Johannesburg

[12] Engagement with labour included joint media conferences of business and labour to highlight the damage of the imports from China and the demands for state support – as per ANA article of the 24 August 2015 titled 'SA steel industry in crisis'.

[13] Interview: Marius Croucamp, Deputy General Secretary of Solidarity, 18 May 2018.

However, prior to making any pronouncements the ArcelorMittal group's global CE came to South Africa in June 2015 to plead for speedy government intervention in the form of import tariffs. Out this engagement, government agreed to the principle of government support subject to following WTO procedures and local consultations that would include the downstream sector (DTI, 2018). A key condition was that AMSA should make reciprocal commitments in the areas of increased investments and upgrading, agreeing to a new pricing system, job retention and transformation of the company. The company accepted the conditions.

But the move by AMSA instigated a huge backlash from the downstream industries and those analysts that support them. Firms in the downstream sector enjoyed access to cheap steel from China, which were a huge relief from the exorbitant steel prices charged by AMSA (Papenfus, 2016). They saw tariff protections as posing a threat to their ability to protect and expand their market share, and as a device that would protect inefficient entities like AMSA which were unable to significantly modernize their steel mills because of the comfort they derive from being monopolies. Through their association – the National Employers Association of SA (NEASA), they launched an on-line petition to lobby government against the call for tariff increases by AMSA (Creamer Media's Steel Report (2017). As Gerhard Papenfus[14], the NEASA CEO explained:

> Before the Chinese steel became available, our members were sourcing primary steel from AMSA. We use primary steel to make new products such as window frames, tubes and machines. We sell our products to various countries in Southern Africa. But AMSA abuses firms in the downstream sector. They source iron ore at cheap prices to make raw steel. Yet they charge their steel at huge world prices, earning huge amounts in profits.

The situation changed with the entry of cheap steel from China from 2014. As Papenfus explained further:

> We shifted towards the cheap steel from China as it was better in terms of quality and price. The Chinese use modern methods of producing steel that deliver better quality at affordable prices. Chinese suppliers are also very reliable. With the Chinese steel, our businesses became competitive, exported more and employed more workers.

But the Chinese imports were causing problems for AMSA, which called for protections from government. Papenfus indicates that government was initially reluctant to entertain the calls from AMSA:

> Minister Rob Davies was angry with AMSA's import parity pricing system. He saw the IPP system as hurtful to the downstream sector and scrapped the prevailing 5% tariffs that protected some AMSA products. That is when the CE of ArcelorMittal[15] from the group's headquarters visited President Zuma and then tariffs were instituted. We could not understand why government changed its stance until it came out that

[14] Interview with Gerhard Papenfus, CEO of NEASA, on the 22 October 2019 in Pretoria

[15] The Financial Mail August 27 – September 2, 2015, confirms that Lakshmi Mittal, the group's global CE visited SA in June 2015 to support the local entity's case for import tariffs.

> ArcelorMittal agreed to offer a BEE stake in return for tariffs. That was the sweetener[16].

Papenfus argues that NEASA does not support protections and as such they campaigned against their introduction:

> We believe in the free market ideas where there are no protections. Businesses must be free to source from anyone anywhere so long as the quality and prices are good. Protections are not good for any business – whether it is in the upstream or downstream sector. They encourage uncompetitive behavior and force companies to raise prices of their products. As NEASA we feel AMSA is a liability for the country. It produces poor quality steel at exorbitant prices. But the country must still provide it with protections when that compromises the entire downstream sector.

For Papenfus, South Africa does not have a big enough primary steel sector that should be protected at all costs. It is countries such as India and the US with more big primary steel makers that could justify strong measures to shield their primary sectors. But the views of NEASA regarding protections were challenged heavily by Lucio Trentini[17], a senior officer of SEIFSA:

> Our primary steel sector might be small but it plays a huge role in the economy in terms of employment and stimulating business activity in the value chain. Allowing it to collapse would have dire consequences. However, protecting it in isolation would also not help. So, the thing is to support and protect both the primary and downstream sectors. In this regard we must acknowledge that the downstream sector does not suffer just from protections. It also faces problems such as rates and taxes, water and electricity supply. We think Minister Patel understands these challenges and is taking a broader perspective. We support his idea of introducing an industry master plan with the participation of all stakeholders.

Trentini was also skeptical about the ideological views of NEASA, which he regards as free market fundamentalism:

> NEASA says the market must decide. They want free markets to the extreme. We support the view that demand and supply must play a role. But there must be fairness as well, with emphasis on fair wages. Collective bargaining plays a huge role in that, not demand and supply. Dialogue between industry players is critical to develop an industry vision and set industry standards. Protections will play a huge role but should evolve from engagement. As such we think in terms of a coordinated form of capitalism.

The tensions between the downstream and upstream sectors surfaced within the Steel Industries Federation of South Africa (SEIFSA) as well - not just between SEIFSA and NEASA. But the primary sector is the most influential in the federation. The firms in this

[16] In the interview with Alpheus Ngapo of AMSA on the 29 – 01 -2020 he denied that the BEE deal was linked to the call for tariffs. He accepted that transformation was raised as one of the conditions but says a BEE deal was in the offing, crafted in terms of the BEE regulations. But as stated in this report later, the BEE deal benefitted the chairperson of the Jacob Zuma Foundation, among others, which offers a sense that the BEE stake cemented the deal on tariff protections for AMSA

[17] Interview with Lucio Trentini, a senior officer at SEIFSA, on the 12 November 2019 at the SEIFSA offices

group – which include AMSA and Scaw Metals, are big entities by size, revenue base and market share. They occupy leading positions in the SEIFSA, as pointed out by Michael Ade[18], the organization's chief economist. The President of SEIFSA at the time of handling the Chinese imports was from AMSA. On the other hand, the downstream sector is big, diverse and consists of small and medium-sized firms. It is highly fragmented with some firms belonging to SEIFSA while others affiliated to NEASA, which is not part of SEIFSA. Consequently, the voice of this sector in the industry is weak. As such the positions taken on the Chinese steel imports were influenced by the interests of the primary sector. For Ade, there were merits behind SEIFSA's support for protections in favor of the primary sector:

> The Chinese imports were causing serious economic harm. Steel production capacity in the country was destroyed, affecting the sector's contribution to GDP and manufacturing. As a result, South Africa is now a net importer of raw materials. Domestic demand relying on imports is rising. Steel is a strategic resource and everywhere affected countries were making interventions including through tariffs. Of concern is that a trade war could emerge out of the situation. But SEIFSA has members also in the downstream sector and their situation should be given attention, with government playing a critical role.

The differences and contestation between the different sections of business even within the same steel sector, shows that capital is not the same. As Poulantzas (1978) and Clarke (1978) have argued, capital consists of different fractions, with different interests. The different fractions strive for influence over government policies. In the South African steel sector, the noticeable fractions were the primary steel capital, dominated by big steel mills under foreign ownership. The other fraction consists of firms in the downstream sector, which are small and medium-sized companies owned locally. While the steel industry overall employs about 416 994[19] workers, about 280 000[20] workers are employed by firms in the downstream sector. The existence of different fractions of capital with different features, opens up the possibility for labour to pursue coalitions with those fractions whose features or interests could help to advance the interests of workers. But as the next section on the interventions of labour shows, choosing the right fraction of capital with whom to co-operate, could be highly contested.

The next section looks into the role and interventions of labour.

[18] Interview with Michael Ade, the Economist at SEIFSA. Interview conducted on the 19 March 2018 at offices of SEIFSA

[19] The figure is derived from the bargaining council in the metals industry and the records were provided by Lucio Trentini of SEIFSA, during the interview with him on the 12 – 11 – 2019.

[20] The figure was provided by Gerhard Papenfus, the CEO of NEASA during an interview with him on the 22 – 10 - 2019

Chapter 5: Conflicted agency and acceptable nationalism: The responses of labor to the steel crisis

This section provides an account of how labor developed its responses to the Chinese imports and the internal dynamics that played themselves out in NUMSA, the main union in the case. It reflects on the terrain in which labor' interventions were concentrated and the alliances and coalitions that labor entered into, especially the coalition with the fraction of capital in the primary sector and the contestations that were unleashed. The section also looks at the activities mobilized by NUMSA in support of demands for state protections, and the attempts at securing cross-border support.

The main labor organizations that were actively involved in the case around the Chinese steel imports in SA were NUMSA and Solidarity. But NUMSA is the biggest trade union in the steel sector and enjoys majority representation in the big steel companies like AMSA, Highveld Steel and Scaw Metals, representing mainly black low and semi-skilled workers. Solidarity organizes mainly among white skilled workers like artisans. The unions had a delayed response to the steel imports until they received approaches from ArcelorMittal. But their active involvement only kicked off after receiving news about the impending closure of Evraz Highveld Steel. This is when NUMSA set in motion a series of processes to support its involvement, including setting up a steering committee at the head office consisting of national officials and the union's research department, as well as convening meetings of shop stewards from the Engineering sectors[21]. Out of those processes the union shaped its mandate for intervention.

NUMSA then convened meetings with other unions organizing in the industry, especially Solidarity, to formulate a joint labour position. But internal NUMSA processes revealed serious internal dynamics. Tengela indicates that divisions and tensions soon emerged around strategy and approach. The union's political leaders laid emphasis on the importance of joint action with the big industry players in the upstream sector since it constituted the historical stronghold of the union. In contrast the national officials argued for an approach based on a balance between the needs of the big players in the primary sector and those of the smaller firms in the downstream sector. Their view was that the union had to prioritise the interests of the firms in the downstream sector[22] since it was a labor-intensive industry where the majority of the union's members were based. Tengela was critical of the position of the leaders:

> They appeared to put all their eggs in one basket. This suggested they did not appreciate intra-capitalist dynamics. While it was not wrong to favor one fraction of capital over another, the question was which fraction was to be supported and on what conditions. It was vital to prioritise the needs of the downstream sector as it employed the majority of the workers in the industry. Towards this goal it was critical to win the state to prevail upon the primary sector so that it supplied steel on favorable terms to

[21] Information derived from the interview with Tengo Tengela, a former NUMSA official who was involved in the case on the steel imports. Interview held on the 7 May 2018

[22] There is some evidence of the downstream sector employing more workers than the upstream sector. NEASA puts the number of workers in the downstream at around 28 000, out of a total industry workforce of about 417 000, as per the records from SEIFSA

> the downstream sector. Better terms for the downstream sector would support its growth which would in turn create opportunities for growth in union membership.

For Tengela, the state should be the strategic ally, with only tactical alliances built with capital or a fraction thereof. In the steel industry it was crucial for the state to intervene around a number of issues in favor of the downstream sector which is big and in which the union had more members and potential to grow further. He identified the needs of the downstream sector as including demand for access to raw materials at fair prices; demand for non-tariff barriers to protect the South African market for certain products, and demand for state procurement from the domestic firms.

But the views articulated by Tengela were out of line with the political realities of the time. At the time of dealing with the crisis in the steel sector, NUMSA was not enjoying a good relationship with government. This was in the aftermath of the famous special congress of 2013 at which the union decided to end its relations with the ruling party and to take steps towards forming a worker's party. The ANC and the government it controlled did not take kindly to the union's decisions. In one meeting with the unions on the problems in the steel sector, government invited Cosatu without informing the unions[23]. This was despite the fact Cosatu had no affiliate at the time in the metal industry. This incident points to the difficulties NUMSA faced in its efforts to get government co-operation in dealing with the serious industry issues. The picture emerging is that the union broke up with the ANC when it most needed its support.

Differences among senior union officials also emerged within the ranks of the shop stewards.

5.1. Tensions among the NUMSA shop stewards

Another dimension of the tensions within NUMSA emerged among the shop stewards especially in the meetings of the Engineering Sector Shop Stewards Council. Tengela pointed out that the meetings were dominated by shop stewards from the companies in the primary sector:

> Because firms in the sector are big, the union would have large numbers of shop stewards, most of them being full-time shops stewards. Full-time shop stewards enjoy benefits such as provision of union offices on company premises and access to company cars. They have the liberty to attend union activities any time of the day and have enough time to prepare for such meetings. As a result, they were able to attend all meetings and be able to assert much clear positions.

In contrast, shop stewards from firms in the downstream were always few in the meetings and were not consistent. This was because they came from small establishments where they operate as part-time shop stewards whose ability to attend meetings depends on securing time-off from the employer. Often the work situation makes it difficult to secure release from work for union activities. This affected their ability to follow the discussions and make meaningful contributions. As such discussions and decisions were dominated by the interests of the shop stewards from firms in the primary sector, such as AMSA. This means the

[23] The information was related by Crystal Dicks during an interview with her on the 4 April 2018, and was corroborated by Marius Croucamp, Deputy General Secretary of Solidarity during an interview with him on the 11 May 2018.

decisions of the shop stewards council converged with the positions of the national political leaders which favored calls for support to this sector. As Dicks pointed out, NUMSA was weak on the downstream sector. It protected the big players in the primary sector.

Etienne Vlok[24], a Researcher at the South African Clothing & Textile Workers Union (SACTWU), corroborated the views expressed by Dicks and Tengela regarding the union's position on the Chinese imports. Vlok is also a part-time commissioner with the International Trade Advisory Commission of South Africa (ITAC). He was in the first meeting of the commission when NUMSA made a presentation on the protections required of the commission. He said he felt disappointed in that the union did not give adequate attention to the situation of the downstream sector. From their experience in the clothing and textile sectors, it is not possible to stop imports completely. Therefore, it is vital for the union to understand the situation of its industry in its entirety and to devise strategies to fix the problems faced by the industry and its various sectors. Referring to the experiences of his union with imports, Vlok said:

> We faced the first wave of globalization forces following the end of apartheid and re-integration of the country into the global economy. The opening up of the South Africa economy to foreign goods saw huge inflows of cheap clothing and textile products from China in the late 1990s to the early 2000s. This resulted in huge jobs losses and closure of factories. But we realized we could not rely on protections alone to save the industry. Rather we needed to identify and address the sources of inefficiencies in the industries and opportunities for growth.

Vlok went further to say they could not consider a low-wage strategy as that would induce other countries to offer even much lower wages, triggering a race to the bottom. He referred to Bangladesh offering much lower wages and poor working conditions in order to attract foreign investments, as the trigger of the Rana Plaza accident that claimed lives of workers. Explaining the broader response agenda developed by SACTWU in the face of cheap clothing and textile goods from China, Vlok stated that:

> We decided to combine protective and proactive measures. These included demands for protections, support for innovation, improvement of skills and the need to decide where to locate the industry – at the top or bottom of the international value chain. Capital and the state had no ideas and this forced the union to initiate interventions. Out of the interventions the union secured quotas on Chinese imports and state support to rebuild the industry. Listening to NUMSA I did not get a sense that the union had a comprehensive response that went beyond issues of state protections, to address internal production issues relating to technology and skills.

The tensions and differences among shop stewards mirrored those between firms in the upstream and those in the downstream sectors. Shop stewards from the big firms in the upstream sectors echoed the voices of their employers by asserting the demand for the protection of their sector against the steel imports from China. Their power and influence ensured that the NUMSA Engineering Sector Shop Stewards Council adopted a position in

[24] Interview with Etienne Vlok on the 6 May 2018 at the SACTWU head office in Cape Town. An interview was organized with Vlok to get a sense of what NUMSA could learn from SACTWU which had dealt with Chinese imports in the early 2000s.

favor of the interests of firms and workers in the upstream sector, at the expense of those in the downstream sector which benefitted from access to the cheap steel from China. This situation tends to vindicate the point raised by Hayman (1999) that trade union views are influenced by internal distribution of power. As such the views and interests of the powerful sections of the union membership would count for union representation. In such situations, the unions would be seen – as Hayman (1999: 4) further argues, to “filter out certain demands, while highlighting others”. It is out of this process that a labour agenda was shaped, which highlighted the interests of workers in the upstream sector, while those of workers in the downstream sector were filtered out.

5.2. Shaping labour’s agenda for engagement

Following the conclusion of its internal processes, NUMSA worked together with Solidarity, to shape a joint labour position. As indicated by Dicks[25], the unions engaged business to formulate a joint industry position. For this engagement, the business sector was represented by the industry association - SEIFSA, and representatives of AMSA, Scaw Metals and other companies from the primary sector. The reason being that the primary sector was the one affected negatively by the imports. The two groups felt that the Chinese imports were threatening to shut down steel production in the country. They agreed on the importance of saving the industry, raising a range of demands. These included demands for the “implementation of imports duties on all imported steel up to the WTO bound rates of 10%; designation of steel for government infrastructure projects; fair steel pricing instead of import parity pricing, and the advancement of beneficiation” (Joint Steel Task Team, 2015: 9-10). These demands were addressed to government. A joint delegation of labour and business then met government departments of Economic Development and Trade and Industry. The presentation of the labour and steel industry groups was more pronounced on the support needed by the primary sector in South Africa, arguing that it is “Sub-Sahara Africa’s only primary steel- making capability”, thus located much closer to the steel markets in the region, making it imperative that it be protected (Joint Steel Task Team, 2015: 3).

It was only in mid-2017 that labour shifted towards a position that articulated support for the needs of the downstream sector. In a presentation to the International Trade Administration Commission (ITAC)[26] on the 2 June 2017, NUMSA appreciated the protections applied on primary steel imports by government but called for the monitoring of the sector to ensure it does not abuse government support to hurt the downstream sector with high steel prices. The union noted that in China the state owns steel companies and provides huge subsidies for steel production. But in other countries such as South Africa, steel is produced by private businesses, in free market economies that do not apply subsidies. In this regard China enjoys a huge advantage over its competitors in a situation where the competition is between highly different entities. In a more friendly and co-operative spirit, the union called on ITAC[27] and

[25] Interview with Crystal Dicks on the 4 April 2018

[26] The power point presentation was made to ITAC by the NUMSA General Secretary on the 2 June 2017 under the title: ‘Impact of Changes in Import Tariffs on Jobs in the Steel Industry Value Chain’.

[27] One of the NUMSA officials interviewed acknowledged that the union was able to make presentations on trade. But they had difficulties in preparing formal submissions due to the complex jargon and technicalities involved.

the DTI to protect steel production through tariffs, anti-dumping duties, incentives for value-addition and the designation of steel, to benefit downstream industrialization.

Of importance though is why the union leadership shifted its position only in 2017 to start highlighting the interests of both the upstream and downstream sectors. The point is after government introduced a 10% custom duty that protected primary steel in 2015, China shifted its export strategy in favor of increased exportation of finished steel products[28]. Rising imports of finished goods affected the downstream sector, leading to retrenchments. This forced the union to seek support for the sector as well.

While the new orientation of the union was an improvement on the earlier position – even though it was effectively imposed upon it, it still laid emphasis on the role of the state. The union did not pay attention to the structural factors affecting the steel sector, such as "outdated production facilities, limited product ranges, poor quality products and uncompetitive practices[29]" (Viljoen, 2016: 3). In other words, the union reduced the problem to the issue of cheap subsidized steel from China, while turning a blind eye to internal issues facing the local industry. In essence, this means the union did not develop a comprehensive and unifying approach and agenda of dealing with the entirety of the steel crisis it faced. But more problems emerged when the union intervened within the individual companies affected by the steel imports.

5.3. **'Highveld Steel closed like a spaza shop' – Intervening at company level**

Apart from the interventions at sector and/or national level, trade unions intervened within individual companies which were retrenching workers or closing down operations. According to Crystal Dicks and Marius Croucamp, NUMSA and Solidarity handled hundreds of consultation meetings involving retrenchments of workers as well as a number of cases around business rescue plans and plant closures. The most prominent case of retrenchments and plant closure was at Evraz Highveld Steel. According to Ben Zungu[30], a former NUMSA shop steward at the company, trouble at the company started in early 2015 when the company reported it was under a voluntary business rescue plan. This was triggered by the financial problems the company faced after its main clients – Trident Steel and Macsteel had stopped buying from Evraz Highveld Steel. The reason was that the two clients were accessing steel from China at cheaper rates. Business rescue practitioners worked on resuscitating the company for the entire year without success.

Late in 2015 the company offered severance packages to ease its troubles. Zungu reports that the union's head office intervened and discouraged workers from accepting the packages. The union promised to approach institutions like the IDC to rescue the company. But nothing happened and no reports emerged from the union. Even worse, it became difficult for workers to find the union officials involved to get updates on the situation. As Zungu pointed out:

[28] This point emerged during the interview with Lufuno Maliaga and Nomonde Somdaka of ITAC on the 14 February 2020. More about it will come under the responses of the state discussed below

[29] In 2016 ArcelorMittal was fined R1.5bn by the Competition Commission for price fixing, allocating customers and sharing commercially sensitive information, with its competitors (Smith, 2016).

[30] Telephone interview with Ben Zungu, a former NUMSA shop steward at Evraz Highveld Steel, on the 1 July 2018. Ben Zungu is not his real name.

> Workers did not receive their annual bonuses in December 2015. This made them frustrated and angry as almost all of them were on lay-offs or short-time, meaning their pay was already reduced. But the situation became worse in early 2016 when the company served notice to retrench all workers – all 1900, as it was closing the plant. All of them would be retrenched without retrenchment packages because the company said it had no money. But workers were promised that they would receive retrenchment monies once the business rescue practitioners collected resources from selling the company or some parts of it.

Zungu indicates that the workers felt betrayed by the union as they missed the chance of accepting the retrenchment packages when they were offered, on the promise made by the union that they would devise means of rescuing their company. Being retrenched without any pay left the majority of the workers in a dire financial situation. As a consequence, about 400 workers and their families were fed by a charity scheme run by the trade union Solidarity – the Solidarity Helping Hands (Steyn, 2016). Zungu went further to say:

> It was painful to watch Highveld closing like a spaza shop. The Russians who owned the company were running it down. The company produced raw steel which was shipped for processing outside the country. Profits were not spent at the company. We heard that the Vice-President of Evraz was a close friend of Jacob Zuma and that Zuma's friends tried to buy the company but the deal did not go through. We also heard that the NUMSA Investment Company (NIC) was involved in secret meetings to try and buy the company. No one was meeting the workers to explain the situation and no proper reports were given to the workers. My brother, Highveld Steel closed like a spaza shop.

The lamentations of the former Highveld Steel shop stewards highlight the weakened state of a company which used to be a "huge, smoky complex of steelworks built in the mid-1960s" that has over time "expanded and diversified its products" (von Holdt, 2003:1). They also highlight the distance that has developed between union leaders and their members in the workplace. The desperation expressed by the former shop steward points also to a worker leadership that is far more different to the "talented and experienced group of shop stewards" of the 1980s who led a "militant union organization of migrant and urban African workers with strong links to community struggles" (von Holdt, 2003: 11). That organization was pivotal in challenging the apartheid regime in the workplace and in society.

Peter Malinga[31], another former shop steward at Highveld Steel, provides a different perspective. He feels the union did its best to protect its members:

> I think the union was very helpful in the situation. They fought to prevent the retrenchments, through alternative proposals such as the idea of a training lay-off. But the situation was tough and the union's proposals were rejected by the company. I understand that the majority of the workers are unhappy as they lost their jobs. Their main complaint is that the union did not bring in accountants and attorneys to analyze the information used by the company to justify retrenchments. They feel that something could have come out in their favor if experts were brought in. They point

[31] Telephone interview with Peter Malinga, a former shop steward at Highveld Steel, on the 13 April 2018. Peter Malinga is not his real name

to other companies where this intervention was made by the union and it helped to protect jobs. From my side I think the main problem was that the union did not understand the Company Act and its provisions around business rescue. As shop stewards we had to study that ourselves, to engage the business rescue process.

The closure of Highveld meant more trouble, as it triggered the closure of more companies in the Witbank area.

5.4. It's a ripple-effect: the closure of Highveld Steel leads to the closure of more companies

The problem about the situation at Highveld Steel was that it affected other companies as well. Highveld Steel sourced iron ore from the Mapochs mine, situated not far from the company. The mine provided normal iron ore that is processed into steel. It also produced a special type of iron ore used to produce vanadium[32]. Highveld Steel was the mine's biggest client and used to buy both types of iron ore before it was sold to Evraz of Russia. After the take-over by Evraz in 2007, the vanadium section was sold and became a separate company called Vanchen. Vanchen would then source its special iron ore from the Mapochs mine as an independent company. When business at Evraz Highveld went down, after losing two big clients, the company reduced its orders of iron ore from the Mapochs mine. This affected the mine as it mainly supplied Evraz Highveld Steel. The iron ore for producing vanadium that was supplied to Vanchen was not enough to keep the mine running. The Mapochs mine then closed and this in turn led to the closure of Vanchen. Workers from both companies were retrenched.

The story about Evraz Highveld highlights the fact that the Chinese steel imports did not only affect one company or one sector. They wreaked havoc in the South African economy, destroying production facilities in the mining, primary steel and some steel value-adding sectors. They destroyed supply chains that signify the development and sophistication of a country's economy. Importantly, the closure of the companies also destroyed the rich, militant and democratic organizational structures and culture that NUMSA built during the dark days of apartheid. As such it was more than an economic loss.

Even more worrying, the whole situation revealed the controversial role of the NUMSA Investment Company (NIC), which was linked to attempts for the take-over of companies that were affected by the steel imports from China. The next sub-section delves into the role of the NIC.

5.5. Business interests within the union compete against interests of the members: Role of the NIC

The NUMSA Investment Company (NIC) appear to have played a highly controversial role. When the union was expected to intervene in the crisis in defense of the interests of its members, the NIC was making attempts to buy which were struggling as a result of competition from China. As Tengela indicated:

[32] Telephone interview with Mary Moloi, a former NUMSA shop steward at Vanchen, on the 29 June 2018. Mary Moloi is not her real name

> In the Engineering Sector shop stewards meetings that were called to formulate the union's approach to the crisis, the CEO of the NIC was a regular participant. The NIC used the meetings as a platform to lobby shop stewards to support its bids to buy the ailing companies in which they worked.

The attempts of the NIC reached a point where its role came up for discussion in one of the union's National Executive Committee (NEC) meetings. As one former regional representative indicated[33]:

> The regions that are closer to some of the national leaders argued in favour of the NIC bid for the ailing companies. But the majority of the regions resisted the move, arguing that it created a conflict of interest as the union could not fight harder for its members from companies that the NIC wanted to buy. The union's mandate is to protect workers, not buy the companies that employ them.

In the end the NEC decided against the NIC bids. But the attempt by the NIC exhibited a situation of business interests within the union competing against interests of the members. The conflict of interest deriving from the role of the NIC could have been avoided if the union looked beyond the terrain of the state and market exchanges in its interventions. They could have looked at forming worker co-operatives which would make attempts to take over ailing companies. Erik Olin Wright (2016) regards co-operatives as businesses which are owned and run by their members and employees. While co-operatives operate in markets, they operate according to non-capitalist principles. Neglect of non-capitalist initiatives in the South African labour movement gives the impression that alternatives to capitalism are treated separately from the anti-capitalist struggles. They appear to be seen as state of affairs to be implemented only in a post-capitalist phase.

But the increasing role of the NIC in the internal affairs of the union should be located within a particular context. Since 2012, the union faced declining income collected from the collective bargaining levy in the sectoral bargaining chamber (Reddy, 2018). Declining membership in the engineering sectors reduced the union's majority status in the chamber. Reduced representation affected income collected from the bargaining levy charged on the industry' employees who are not union members, but benefitted from wages and working conditions negotiated by unions. With the union facing a huge wage bill, it became increasingly dependent on transfers from the investment company to bail it out. But for the NIC to sustain regular transfers, it needed to expand its operations. This created interest in the companies employing union members, which interest was heightened when the majority of the companies in the sector were affected by competition from China. In the circumstances the union appeared to operate with a split mentality, unable to focus properly on fighting around the Chinese imports. As a result, the union did not lead much campaign actions or mobilize solidarity for the members facing job losses.

5.6. Campaigning and international solidarity around the steel crisis

Contrasting views were expressed around the issue of campaigning. George Chosane[34], the NUMSA Campaigns Coordinator believes that the whole union intervention was a

[33] This former representative of a region, participated in the NEC discussion

[34] Interview with George Chosane on the 26 March 2018 at the head office of NUMSA

boardroom affair. He acknowledged a march directed at the International Trade Commission (ITAC) that was organized in support of the union demands for protections but felt there was no concept of sustained action around the imports. In contrast Crystal Dicks saw that march as a significant part of the ensemble of activities undertaken in defense of members. She also defended negotiations with the state, saying it constituted a vital entity in managing trade and such had to be engaged to protect jobs.

There was also not much international solidarity mobilized. Hlokoza Motau[35], the NUMSA International Officer at the time, reported on an international meeting that was organized by IndustriALL – the global union federation of trade unions in the steel, mining, textile and chemical sectors, to which NUMSA is affiliated. The meeting was attended by steel sector unions from various parts of the world, including unions from the US, Germany, Canada and Australia. It was called to facilitate sharing of information on the impact of the Chinese steel imports in various countries and how unions were responding. It did not attempt to develop a joint strategy or agree on a set of solidarity actions. In the meeting, NUMSA was the only union which reported interventions seeking protections against the Chinese imports. Inspired by the NUMSA action, Motau indicated that:

> The steel union from the USA called on the unions to jointly report China at the WTO, but the idea was not supported. Then the German union suggested that the problems evolving from the steel imports from China created an opportunity for the world to move away from steel production towards green jobs, as steel production contributed a lot to pollution. It was the only union to draw a link between steel crisis and climate change.

Motau indicated that NUMSA did not make any contact with the unions in China for possible co-operation, as the unions are not progressive. NUMSA was also aware of the BRICS Trade Union Forum (BTUF) – the forum of national centers from the BRICS member states. But they could not lobby it for support around the problems flowing from the Chinese imports as:

> We were already expelled from Cosatu at that time and did not expect the union federation to take up our issues into the BTUF. But we were also skeptical of the BTUF as we did not see it as a space for driving a progressive agenda and real solidarity action. In our view, the BTUF was more of a body for labour diplomacy.

But the failure to mobilise international solidarity cannot only be explained by NUMSA' non-participation within the BRICS Trade Union Forum or the absence of progressive unions in China. The situation is perhaps explained by the fact that free trade is not a terrain that is compatible with the practice of a high level of transnational labour solidarity. It creates winners and losers between the trading nations. Benefits accruing to the winning nation – in this case China, serve the interests of its workers, suggesting that worker interests are bound up with the interests of the state. Likewise, in the losing nation – in this case South Africa, the state, capital and workers are driven to work together in defense of common interests, thus ensuring the fusion of worker interests with those of the state and capital. In this context workers on either side lose a shared interest and a shared identity and thus become unable to

[35] Interview with Hlokoza Motau on the 26 March 2018 at the NUMSA head office. Motau was the International officer of the union at the time of the Chinese imports. He was later moved to the Organising, Campaigns and Collective Bargaining, before finally taking retirement.

offer support to each other. Effectively therefore the notion of solidarity gets highly challenged in the terrain of trade. But the limits in mobilizing cross-border solidarity did not mean the unions in South Africa were without options. As shown above, the unions were able to enter into coalitions with the fraction of capital in the upstream sector, to build a local base through which to leverage the mechanisms of the trade regime in defense of local industries and jobs.

Lastly, relations between China and SA are relations between highly unequal partners. Any harm accruing to the smaller party could justify protectionist measures. In this context, as Moody (2000) argues, nationalism and protectionism by a weak developing country in the face of a domineering power should be supported by the left and progressive forces. China is the second biggest economy in the world that has built its power through massive state support and violation of trade union rights, that guarantees it a huge competitive advantage in global markets. In the absence of an economic co-operation arrangement that recognizes and addresses the imbalances between South Africa and China, it is perhaps permissible and acceptable for labour and other social actors to adopt protectionist and nationalist measures against the harm evolving from trade with China.

The next section looks at the responses of the South African state.

Chapter 6. Managing the balancing act - Nuanced intervention of the State

This section looks into the procedures and institutions that govern the administration of trade in South Africa, and how these were leveraged by capital and labor and the outcomes thereof. It will analyze the nature of the interventions made by government in relation to the contrasting positions of the different fractions of capital and how the state actions fitted within the rules of the WTO. The section will probe the impact of the measures instituted by government and compare with the interventions in other countries.

The administration of trade in South Africa falls within the scope of the International Trade Administration Commission, which reports to the Department of Trade & Industry (DTI). According to Nomonde Somdaka[36], a Director within the Tariff Investigation Unit 2 at ITAC:

> ITAC administers trade with other countries, to ensure fair trade. We intervene in in situations of unfair trading practices, when our industries are overwhelmed by imports or in situations where a local industry needs to access inputs from other countries. We have trade remedies that we use including customs and duties, safeguard duties and rebates.

There are procedures to be followed when an industry is overwhelmed by imports. As Somdaka points out:

> The affected industry has to lodge an application for tariff protections. The rules require an industry association to lodge an application, in a particular form and accompanied by supporting information showing a correlation between a surge in imports and the injury to the industry. ITAC would then conduct a preliminary investigation, looking at the data from the applicant and data from other market participants and sources.

Out of the preliminary investigation, ITAC staff will produce a report and submit it to the ITAC Commission and to the Southern African Custom Union (SACU)[37]. After incorporating the feedback from the Commission and SACU, the report will be published in a government gazette, allowing for comments and submissions from the public. Then as Somdaka further explains:

> The public and interested parties have four weeks to make comments and submissions. ITAC would then engage the submissions, conduct further research and produce a final determination with recommendations. The report and recommendations will go to the Minister of Trade & Industry, who would approve the report or send it back if there are problems or objections. Once approved, the DTI sends the report to SARS for implementation. Important is that the tariff measures in the report must be in line with the WTO bound rates.

The Chinese steel imports were handled according to the procedure outlined above. As Lufuno Maliaga[38], a Manager in the Tariff Investigation Unit 2 explained:

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[36] Interview with Nomonde Somdaka, of ITAC Tariff Investigation Unit 2 at the ITAC offices, on the 14 -02-2020

[37] SACU is the customs union of South Africa, Botswana, Lesotho, Namibia and Swaziland. These countries share the same external tariff, making it an obligation that a party intending to amend its tariffs informs the others

[38] Interview with Lufuno Maliaga of the ITAC Tariff Investigation Unit 2 at the ITC offices on the 14 -02-2020

> AMSA lodged an application through the South African Iron and Steel Institute (SAISI), the industry association to which it belongs. The application called for an increase in ordinary custom duty from 0% to 10%. This was the maximum duty to which South Africa bound itself at the World Trade Organization (WTO). AMSA made a number of other applications covering a number of their products affected by the imports from China.

Maliaga indicated that ITAC pays attention to a number of factors before giving duties. These include consideration of the impact of the imports on jobs as well as the impact the duties would have on customers. Consideration is also given to the ability of the affected companies to improve their levels of competitiveness during the life of the duties. She indicated further that during the period of engaging with inputs and submissions affected and interested parties:

> We established the Steel Committee to discuss the type of support measures to be implemented and the conditions to be attached. The Steel Committee comprised of AMSA and other companies in the primary sector. It also included representatives of companies from the downstream sector and labor organizations. Government departments involved with trade also participated. The committee agreed to increase the general custom duty to the bound rate of 10%. Agreement was also reached on duties and rebates covering products in the downstream sector. But we insisted on reciprocal commitments from the companies like the need to protect jobs, to increase investments and upgrade their facilities and change the pricing system of primary steel. There was also agreement on this.

The report and agreements were sent to the Minister of Trade and Industry. The report was accepted and an announcement on the interventions was made in August 2015. The new custom duty became effective from the 25 September 2015. As confirmed by the DTI (2018) there were various other support measures arising out of the Steel Committee also endorsed. Local steel, for instance, would be "designated for public procurement in state-led infrastructure projects and an electricity pricing framework was negotiated for energy intensive users" (DTI, 2018: 13). In justifying such interventions, government argued that if the country failed to protect primary steel-making, it would be reduced to an iron-ore producer, which means moving down the value-chain. Also, steel is critical for manufacturing and is an important resource in other industries such as mining, construction, auto and structural steel, thus making significant direct and indirect contributions to the GDP and to employment creation (DTI, 2018). Umeesha Naidoo[39] further adds that:

> The steel industry is a very strategic sector. All over the world countries are striving to protect their steelmaking capabilities. We are part of the G20 and a meeting was convened where we all agreed to protect our industries. AMSA is a very significant facility, producing hot-rolled steel which is a strategic steel product that is skill-and labour-intensive. This must be protected. While it is good to access cheap products from China, once our local capacity is destroyed, China will raise prices. We cannot base our economy on imports.

[39] Interview with Umeesha Naidoo of the DTI on the 13-01-2020, at the DTI offices

Government further recognized that the downstream industry created more jobs and provided the opportunity for the emergence of black industrialists (Njobeni, 2017). In this regard the Department of Economic Development established a Steel Development Fund with an amount of R1.5 billion to support key downstream steel sectors and sub-sectors (DTI, 2018). The purpose is to help companies in the sector to improve their competitiveness. Principles for a new steel pricing system were also announced to ensure competitive and sustainable industries in both the primary and downstream steel sectors. The Steel Committee was to monitor and evaluate implementation of the interventions.

But Lufuno Maliaga[40] indicated that the application of the tariff increases was followed by new problems, while the old ones persisted:

> After implementing increases on the general custom duty, China resorted to exporting more finished steel products to South Africa. This exposed companies in the downstream sector to fierce competition. At the same time AMSA complained that the increase on the general custom duty was not offering much relief. This is because the rate implemented was small since we could not go beyond the bound rate of 10%. AMSA then lodged an application for implementation of safeguard duties. And as ITAC we launched an investigation around twenty-one products produced by the downstream sector that were affected by the new dimension of China' export strategy. This sector consists of small companies and is highly fragmented. As such it lacks the capacity to invoke the provisions of trade administration to protect itself.

Maliaga clarified the situation with regard to safeguard duties sought AMSA:

> Safeguard duties respond to a surge in imports that result in injury to industry. They are applied when the general duty is inadequate to provide relief. But importantly they are applied on specific products which must constitute a company' main production. They are also applied for a defined period of time. As a result, AMSA applied for safeguard duties to protect its main product of hot-rolled steel – it accounts for 70% of the company's production.

Following the investigations, ITAC was able to process a recommendation for safeguard duties as requested by AMSA. It also processed recommendations to increase duties on the twenty-one value-added products produced in the downstream sector. These recommendations were all endorsed and implemented. The safeguard duties on hot-rolled steel were implemented from the 11 August 2017, for a period of three years. They started with a 12% duty in the first year up to 11 August 2018, which was reduced to a 10% duty in the second year running up to 11 August 2019. The duties are now in their final year at 8% which expires on the 11 August 2020.

The overall package consisted of modest but balanced measures to benefit both the primary and downstream sectors, signaling a highly nuanced and cautious approach adopted by government. It was modest in that only a few trade remedies were applied and the protections were not high enough. This approach contrasted sharply with the more stringent measures applied by other countries. While South Africa confined itself to the use of base protections and safeguard tariffs, other countries went further to impose strong protective measures. India

[40] Interview with Lufuno Maliaga of ITAC on the 14 -02-2020

– a fellow BRICS member with SA, for instance, had an import duty of 10% in place at the time of the entry of Chinese imports. This was increased to 12.5% as they had enough room in terms of their bound rates (Kazmin & Keohane, 2015). South Africa started from zero percent, to 10%. Keeping actual tariffs at 0% when the bound rates are at 10% has shown to be damaging and manifests dangerous application of market liberalization. But the officials from ITAC argued that keeping the rates zero % was not a serious problem until the arrival of huge volumes of steel from China from 2014.

Furthermore, Brazil, Russia and India - other fellow BRICS member states, implemented anti-dumping and countervailing duties against China. Countervailing duties are meant to "offset the effect of subsidies" on imported goods, while anti-dumping duties are imposed on "imported goods whose prices are lower than those applying in domestic market of the exporting country" (Fahamu, 2015: 1). Seven cases of anti-dumping duties were imposed by India and Brazil, while 10 countervailing duties were applied by Brazil, India and Russia (Fahamu, 2015; Trade Monitor, 2016). Fahamu (2015) reports that SA refused to consider countervailing duties, alleging that no country in the world applied these duties against China. Failure to apply the more appropriate forms of protections meant that SA was exposed to more harm from the Chinese goods than other countries. As such big volumes of products which could not enter other countries found easy entry into the South African market.

Nomonde Somdaka[41] clarified the situation about the limited trade remedies applied in South Africa:

> Anti-dumping duties are very expensive to apply. You need experts to prepare and justify your case. But it also depends on complaints around dumping being lodged. So far we did not receive any formal complaint or application in that regard. On the other hand, countervailing duties are a very political matter.

The other issue relates to the timeframes involved in the whole process. In this particular case, applications for tariff protections were first submitted in December 2014 and government interventions were only implemented on the 25 September 2015 – about ten months after the start of the process. This is a long delay in the face of a highly crippling crisis. The Financial Mail (August 27 – September 2, 2015, p19) indicates that other countries like "India imposed tariffs within a month". It will therefore do SA a lot of good to shorten and simplify procedures relating to imposition of tariffs in the face of damaging imports. But Nomonde Somdaka[42] defended the processes followed in South Africa:

> Countries have different rules and procedures. We have our procedures that we follow. We must conduct thorough investigations as they form the basis of the trade measures we apply. In the investigations we consider the entire value chain, including the downstream sectors. So, the size of the industry and the number of tariffs involved would impact on the length of the process. Furthermore, we also consult our fellow SACU members as we share a common tariff. But there are suggestions to establish a SACU tariff task team, which will conduct investigations and hopefully shorten the process.

[41] Interview with Nomonde Somdaka of ITAC, on the 14 -02-2020
[42] Op cit

The interventions by the SA government had some impact. But views on the impact – real or anticipated, were diverse and contradictory. The most unexpected response came from within government itself, when Minister in the Presidency – Jeff Radebe, expressed concern that the protections applied on Chinese imports could trigger a negative reaction on South African exports to China (Ronan, 2015). But NEASA referred to some of the real problems caused by the tariffs in the downstream industry. Their CEO, Gerhard Papenfus mentioned that:

> When tariffs were introduced, our members absorbed and passed the costs thereof to their customers in Southern Africa. The customers stopped buying from us and we lost an export market. Also, companies such as Robor Industrial Holdings, switched from manufacturing to importing and selling finished products. This means we lost entire production facilities. But Robor was ultimately forced to close down as its customers were able to source the finished products on their own. Because of this, imports of finished products increased by 58%

From the side of labour, officials from both NUMSA[43] and Solidarity[44], felt that the tariff protections were very helpful. NUMSA indicated that notices of retrenchments declined strongly following the application of tariffs. Croucamp of Solidarity, concurred, saying:

> The industry stabilized a bit in the aftermath of the tariff increases. This ensured that jobs were protected. But some lost capacity might be lost permanently, while some of it might be recovered. It will take time for the tariffs to show long-term effects. But some space has been created, which allowed production to restart in some of the closed companies such as CISCO and to a limited extent at Highveld Steel.

ArcelorMittal SA (AMSA), the corporation that spearheaded the calls for tariffs, sang some praises for the government actions as well. According to the Creamer Media's Steel Report (2017: 21) the company was able to "recapture market share on the back of increased tariff protection". This is because the company was able to report a 10% increase in sales volumes in 2016. But other factors were also linked to improved performance, such as the closure of Highveld Steel and Vanadium, which was a competitor. As a result of the government interventions and the contributions they made to the company's recovery, AMSA went on to fulfill the reciprocal commitments made at the time of lobbying for protections.

Firstly, in late 2016, AMSA concluded and announced a broad-based black economic empowerment (BBBEE) deal involving an offer of a 22% stake to a wholly owned black company, local communities and the company's employees. The black company was Likamva Resources, whose majority shareholders are women (Creamer Media's Steel Report, 2017; Crowley, 2016). Likamva will get 17% of the equity stake and allocate 5% thereof to communities surrounding AMSA's operations in SA. AMSA employees will get 5% of the total shares allocated. Likamva boasts prominent people such as Jabu Moleketi, former Deputy Finance Minister; Yakhe Kwinana, a board member of former President Jacob Zuma's foundation; Leslie Maasdorp, Chief financial officer at the New Development Bank of BRICS, seconded by SA during the Presidency of Zuma; and Noluthando Gosa, who was a member of the National Planning Commission.

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[43] Interview with Hlokoza Motau, op cit
[44] Interview with Marius Croucamp, op cit

Secondly, AMSA signed a Steel Accord with government in 2015, which “removed the import parity pricing” that was harmful to the downstream sector (Creamer Media’s Steel Report, 2017: 27). The new pricing system was – as Creamer Media’s Steel Report (2017: 28) indicates, “determined by the weighted average of the steel prices of countries that SA competes with, such as countries from Asia, France, Italy, the US, Canada, Spain and Brazil”. China and Russia were excluded from the determination of the new price. Their steel prices are lower compared to others, triggering the criticism that the formula was designed to lead to a high average price that benefits AMSA.

But AMSA[45] defended the exclusion of these countries in the determination of the new pricing system as:

> China and Russia provide state subsidies to their industries. This enable their companies to sell steel at low prices. We could not include them in formulating a new system of steel prices as their prices are distorted. We had to base ourselves on prices from countries operate according to market rules. But for us the whole idea of regulating prices is not right. Prices must be determined by market forces. But we were aware that the pricing issue was a key condition as the other players believed AMSA’ prices were designed to be hurtful on the downstream sector.

The third commitment made by AMSA was on protecting jobs. The company managed to avoid job losses by refraining from retrenchments during the crisis and also increased its capital expenditure after its finances were stabilizing. Increased investments by AMSA include provision of primary material that led to the re-opening of the structural mill at Highveld Steel (Creamer, 2017). The Department of Economic Development also provided financial support, which led to the refurbishment of the mill, enabling it to replace imports of rails, beams, angles and columns. 500 jobs were created in the re-opened mill, as well as through opening the Highveld complex to new tenants.

Asked about how government viewed the performance of AMSA after receiving state support, Umeesha Naidoo[46] of the Department of Trade & Industry said:

> We are pleased with what the company did in compliance with the commitments made. The have agreed to a new pricing system, they upgraded their facilities and maintained employment while creating some new jobs. But we were aware that total compliance depended on the market situation. Since the introduction of tariffs there were changes in the market and demand has now declined. Due to declining demand the company served notice of intention to close down its Saldanha Bay operation. There are also high cost factors facing the company, such as electricity, transport and iron ore prices. All these factors affect compliance with the commitments made.

As regards the lessons learned in handling the Chinese imports, the staff at ITAC acknowledged areas in which improvements are needed. Firstly, the bound rates that South Africa committed itself to at the WTO are very low. They do not offer much relief in times of need. Second, it is important to take a holistic approach in evaluating imports. In handling the imports from China, more attention was paid to the primary sector that was affected. China then resorted to exporting finished goods and South Africa had to react once again when a

[45] Interview with Alpheus Ngapo Director of Marketing at AMSA, on the 29 -01-2020

[46] Interview with Umeesha Naidoo of the DTI on the 13 -01-2020

crisis was expanding rapidly. Thirdly, there were unintended consequences of raising tariffs. Prior to raising tariffs, a new Japanese steel processing plant was opened in South Africa. They were attracted by incentives provided and the ability to send their raw steel without any duties. When duties were introduced, Japan joined the forces that campaigned against the introduction of duties and threatened to pull their investments out. As such the wider implications of tariff measures must be considered

But interventions by government shows that it did not favor any particular fraction of capital. This is despite the fact that the upstream fraction is the stronger segment with powerful players such as ArcelorMittal, the biggest steelmaker in the world. This means government is able to rise above the different interests of different fractions of capital within the goal of protecting the capitalist project in general. Furthermore, the balancing act was not limited to the conflicting interests in the local industry. Government had to consider its relationship with China, as well as the impact of tariffs on foreign investments such as those from Japan. Therefore, the balancing act offered some relief but was not able to completely stop the imports – they are part of normal economic relations and necessary inputs in some local sectors, meaning its options were highly constrained. In the circumstances, it would appear that the government's balancing act constituted the route of the least destruction.

7. Conclusion

The global steel market was plunged into an unprecedented crisis in 2014 as demand declined in the context of overproduction. The source of excess production was China, which accounts for half of the global production of steel. The country had invested heavily in steel production when its property market was expanding rapidly. When the growth cycle came to an end, China had volumes of excess steel which were offloaded on global markets at low prices. South Africa became one of the countries experiencing huge inflows of steel from China, that accounted for 60% of total steel imports. The Chinese steel was selling at a quarter of the price of steel in South Africa. Local producers could not compete against the Chinese steel and were heavily affected. Some of the factors causing steel in South Africa to be uncompetitive included outdated production facilities, technology that lacked behind the latest used in China, poor quality and high prices of raw steel charged by the steel mills.

The impact in the local industry was highly differentiated. The Chinese steel hurt companies in the primary sector, while those in the downstream benefitted from accessing cheap raw steel. The imports were particularly damaging for companies like Highveld Steel and CISCO which ended up closing down. But the closure of Highveld Steel led to the closure of Mapochs mine that was supplying iron ore to the company. Job losses ensued in the mill and the mine. At ArcelorMittal South Africa (AMSA), the imports took a knock on company finances, forcing the company to the brink of closing down.

The point about the Chinese imports and their trail of economic destruction is that they happened at a time of heightening political co-operation between China and South Africa. China had accorded South Africa the status of a comprehensive strategic partner – apparently, the highest form of recognition China can give to a foreign country. This saw expansion of relations on all fronts – politically, in the military field, culturally and in the economic sphere. The countries even agreed to correct trade imbalances between them, through China committing to support value-addition in South Africa to improve the latter's exportation of finished goods. Effectively this meant co-operation to raise industrialization levels in South Africa. But behind the political niceties were hard realities of trade tearing down the foundations of South Africa's economy. This means behind the rhetoric of co-operation, China was playing hard to outcompete South Africa, and in the process driving down the levels of industrialization in the country.

Capital in the steel mills suffered from the imports from China. It was this fraction of capital through the role of AMSA that took the lead in pushing for protections against the Chinese steel imports. AMSA lodged an application for protections within the institutional mechanisms of trade administration. The company – then as the President of the industry federation, coordinated with other steel mills and the trade unions to prepare a joint submission in support of protections. With government delays or seeming reluctance to act, the CE of AcerlorMittal from the head office in Luxemburg, came to engage government. It was then that government announced in-principle decisions to provide protections. ArcelorMittal is the largest steelmaker in the world, and its South African branch accounts for 61% of steel used in the country. The move by AMSA - to use both its local and global power, to leverage the trade administration processes combined with the co-ordination of an industry coalition that included labor, while offering concessions in return for protections –

attest to the power and multiple resources at the disposal of capital that it can mobilize to influence strategic national decisions in its favor.

Through its interventions AMSA was able to induce the South African government to apply duties on goods from a country boasting the second biggest economy in the world. China is also a country with which South Africa enjoys a prestigious and expanding cooperation. As such the AMSA interventions demonstrates the capacity of capital to influence the structuring of relations between states. The cozy relationship between the countries was now transformed to incorporate serious acts of self-defense on the part of South Africa in the face of the hard game of trade played by China.

But the interventions of AMSA were challenged by the fraction of capital in the downstream sector. This sector benefitted from access to cheap steel from China, after years of enduring a hurtful pricing system administered by AMSA. The industry is fragmented and consist of small companies. But its significance derives from the fact that it employs more workers than the primary sector and it is a terrain in which black industrialists could be incubated. The sector does not have comparable strategic resources and power commanded by AMSA and other steel mills. But it was able to articulate its objections through the media and the submissions to ITAC. This resulted in a fierce contestation to influence the direction of government decisions. It would appear that the situation and objections of the sector played a huge role in the balanced interventions made by government.

The main trade unions involved in this case were the National Union of Metalworkers of South Africa (NUMSA) and Solidarity. NUMSA has members in both the primary steel sector and the downstream sector, who are mostly unskilled, semi-skilled and of late some skilled workers as well. Solidarity on the other hand organizes mostly the highly skilled workers like artisans and technicians. The unions decided to enter into a coalition with capital in the primary sector, based on the common interest of seeking protections against the steel imports as they destroyed firms and jobs. Through this coalition and on the basis of the legal trade process triggered by AMSA, the unions formed a crucial component of the overall national initiative to leverage measures in the global trade regime to protect workers and the industries employing them.

The terrain of global trade administered by the WTO is not a familiar or friendly terrain for organized labour. This is explained by the piecemeal approach adopted by the union – focusing first on the needs of the primary sector without proper attention given to the downstream sector until it was also affected by competition. The terrain of trade is also based on complex trade technicalities and jargon that are overwhelming even for governments. But it contains measures that go some way in providing protections. The alternatives open to labour were mass action and cross-border solidarity. NUMSA led a march to ITAC in support of protections. But once government started the processes towards instituting protections in which the union was able to participate, mass action gave way to negotiations. As such mass activity and negotiations were complementary and not alternatives. The union also gave thought to cross-border solidarity and participated in some international meetings of steel unions affected by the Chinese imports. While the discussions were useful in sharing information and exchange of ideas, no concrete solidarity action emerged. In this context, labour concentrated its efforts in the national space. The national space and the role of the state offered a useful platform in responding to the challenges of trade with China. But the state had to be pushed to act – especially in the first case of primary steel imports. It was pushed by a combination of activities including mass action, coalition with capital, media campaigns, applications for tariff support, negotiations, submissions, etc. In the case of the second wave of imports involving finished goods, the state took the initiate towards institute protections. However, the entire national engagement effort had limits. The limits faced by labour and its coalition partners, emerged from the fact their efforts could not achieve the levels of protections beyond those fixed by the country at the WTO.

Subsequent to the state instituting protections in favor of primary steel, China started exporting large volumes of finished products to South Africa. The downstream sector got affected and this forced NUMSA to engage the state to apply protections to this sector as well. However, of all the members of the coalition that fought for an increase in the general rate of custom duties, NUMSA was the only entity with a presence in the downstream sector. Therefore, when the crisis from a surge in finished steel products hit the downstream sector, the union was forced to find new allies. The only vocal voice for firms in the sector is NEASA, a highly conservative body advocating deep free market policies. Because of its deep free market believes, NEASA was opposing tariff protections even for the benefit of its members, thus elevating ideology over interests. It could therefore not become a partner for labour. This led NUMSA to switching allies, shifting from seeking co-operation with fractions of capital, to lobbying and supporting the state, through ITAC, to protect the sector.

The state was subjected to a fierce contestation between the different fractions of capital as they sought to influence the way it would respond to the Chinese imports. The state was aware of the importance of primary steelmaking as it occupies an important phase of value-addition. It recognized that failure to protect steel mills would push the country down to mineral extraction. Equally, the downstream sector had a strong employment creation effect and is a potential breeding ground for black industrialists. There was also the issue of South Africa's growing relations with China that government appeared unwilling to jeopardize. As such government opted for an approach that accommodated the diverse interests of the diverse groups. Through a balancing act process, the state crafted a package of limited but strategic support measures that addressed the key interests of the affected groups.

What was significant about the state' balancing act is that it did not give in entirely to the agenda of any group. By looking at the broader picture regarding what was good for the country and its economy, the state was able to transcend the narrow interests of particular fractions. In the process it was able to use its strategic position as a conduit of trade protections to win concessions from the steel mills. This means the state exhibited the ability to act with a degree of autonomy and creativity. Creative action involved the ability to apply different forms of duties at different times. After applying custom duties to stem the inflows of primary steel imports, there was a switch to safeguard duties when the former proved inadequate. But however prudent the state' intervention appear, it could not totally avoid the destructive effects of capitalist free trade.

In the end the Chinese steel imports changed the face of the steel industry in South Africa. They destroyed important production facilities such as Highveld Steel and others in the value chain. They forced a restructuring of the industry, leading to new systems such as the new pricing systems, upgraded production facilities and forced cooperation on parties with conflicting interests. They forced labour to appreciate divisions within capital and to enter into coalitions with relevant fractions around common interests in order to navigate the complex and unfriendly terrain of global trade. Importantly, the crisis highlighted the significance of the national space in shaping responses to the challenges flowing from the global economy. But the crisis also exposed some problems in the country' trade relations, trade administration systems and commitments to the WTO, that require fixing. Likewise, labour would benefit from a clear strategy and enhanced capacity of handling foreign trade issues, that would reduce tensions and clarify the role of its investment wing.

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