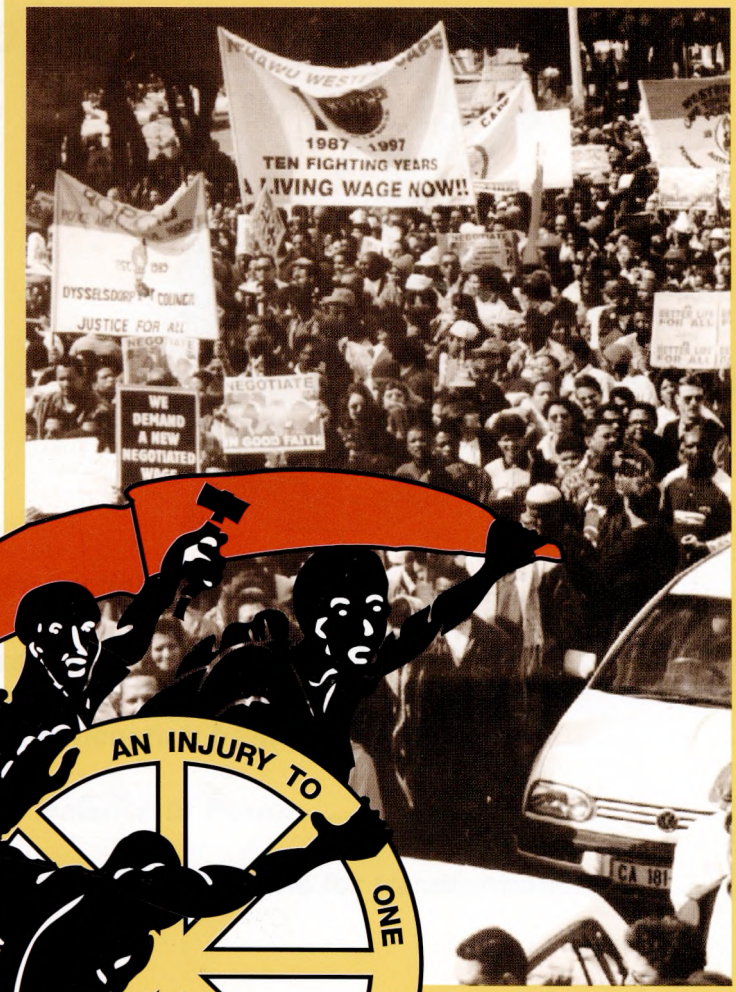
Advancing Social Transformation in the Era of Globalisation



COSATU 7th Congress Political Discussion Paper

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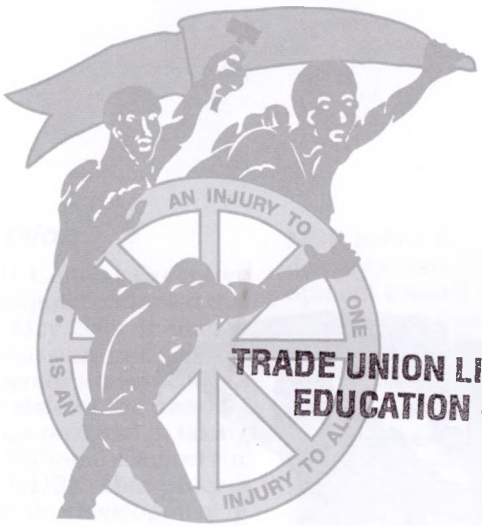

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This paper is published to stimulate discussion;
it does not reflect COSATU policy.

1. Introduction

The COSATU Central Executive Committee Lekgotla endorsed this document in May 2000. It aims to initiate a discussion in COSATU and the democratic movement as a whole on the state of the transformation and our progress in taking forward the National Democratic Revolution (NDR). This process should inform the development of resolutions for COSATU's Seventh National Congress.

The years since the transition to democracy in 1994 have seen fundamental shifts in the political economy of South Africa. These shifts present new challenges for COSATU and the democratic movement as a whole. To address them requires reflection on the basic trends in society and our strategies for pursuing the National Democratic Revolution (NDR).

This document first reviews progress and setbacks in achieving these goals since the transition to democracy in 1994. In that context, it explores current attempts to rewrite the aims of the NDR. Above all, some groups want to redefine the NDR merely to provide equal opportunities for all, irrespective of race. This tendency would stop the NDR before it achieves more fundamental reconstruction and development toward a non-racial, non-sexist society on the basis of democratisation of the state and the economy.

After considering these issues, the document explores changes in the balance of power, in terms of the political arena, the nature of capital, international developments, the state and the Alliance. Finally, it points to some implications for the development of transformatory programmes by COSATU and the Alliance.

2. Assessing six years of democratic rule

The ANC-led alliance has, over many decades, deepened, refined and consolidated its understanding of its fundamental strategic objective – a national democratic revolution. Among the key programmatic statements of our understanding of the NDR are the Freedom Charter (1955), the Strategy and Tactics document from the ANC's 1969 Morogoro Conference, and more recently the RDP (1993/4). Each of these documents, and many others that enrich the debate

around the NDR, reflect the concerns and limitations of the particular moment when they emerged. But they all share the following core vision:

1. *Democratising the State and Society*, through participatory democracy, ensuring greater consultation and openness. Strategies to this end must focus on empowering working people, the poor and women by assisting them with resourcing, organisational support, and information about government. Otherwise, groups with more resources – big business and the rich – will dominate consultative forums.

2. *Meeting Basic Needs*, with vastly improved social and municipal services, housing and social security, especially for historically disadvantaged communities. These programmes should raise living standards directly, assist in establishing a more productive labour force, and help change the dynamic of the family to liberate women.

3. *Developing Our Human Resources*, through the equalisation and improvement of education, the implementation of a National Qualifications Framework, and government support for arts and culture. There should be ten years of compulsory education as well as a substantial expansion in preschool and adult basic education.

4. *Building the Economy*, above all by integrating reconstruction and development. Key measures would democratise the economy by developing new centres of economic power, especially in the state sector and through other forms of collective and democratic ownership, as well as small and micro enterprise. These new systems must empower black people, especially women, on a mass scale. Strategies include land reform, government direction of credit and investment, the restructuring of the financial sector, and progressive trade and labour policies.

2.1 Progress since 1994

The 1994 elections were a watershed moment, representing an irrevocable break with the past. With them, the democratic movement achieved a central aim of the NDR. White minority rule was defeated and replaced by a national democratic state based on the will of the majority of the people.

South Africa adopted one of the most progressive constitutions in the world, with specific protection for the rights of workers and the poor. The constitution-making process taught the historical lesson that unity of the progressive forces does not require that the partners ignore their own principles. COSATU successfully agitated for more progressive provisions and defended the interests of its members.

The establishment of elected local governments was a further important step toward true democracy. For the first time, South Africa has unitary cities and towns, which should permit more equitable municipal services.

The new labour legislation was a major victory. Despite endless protest from employers, the democratic state put in place legislation that defends workers' basic rights and supports skills development. These laws represent a huge ad-

vance, especially because discriminatory and repressive labour laws formed the core of the apartheid system.

On the social front, the democratic state ended open discrimination in laws and government services. State institutions could no longer impose racist or sexist rules on the public, and school curricula were rewritten to meet the needs of democracy. Government redirected the budget to improve services in historically black communities. For the first time in South Africa's history, it prioritised services for the poor and not the privileged.

COSATU's 1999 elections booklet, *Why Workers Should Vote ANC*, gives more detail on the gains of workers and the poor after 1994. But progress in overcoming historic oppression in the state and the workplace was limited by the adoption, especially after 1996, of conservative fiscal, monetary and trade policies. Economic strategies sought mostly to attract foreign investment. In the process, they stifled domestic growth and undermined efforts to reconstruct the economy and society.

Budget cuts combined with high military spending threaten to reverse the modest gains achieved in the first term of the democratic state. They mean government departments cannot afford many progressive policies. This has become obvious in health, education, police and the justice system, land reform, public works and social security. It emerges in proposals to start charging children for schoolbooks and in limitations on treatment for people with HIV.

The fiscal strategy combined with pressure from domestic and foreign capital to initiate a strategy of cutting down on the public sector. It risked undermining the state to the point where it would not have the power to carry out core strategies of the NDR. In effect, it sought to minimise the capacity of the state while increasing the power of management in the public sector (see Box 1).

To compensate for budget cuts, government agencies tried to bring in private capital by raising fees to the public and entering partnerships with companies. This strategy gave capital more influence over government.

Restrictive monetary policies further undermined the aims of the NDR. They led to extraordinarily high interest rates, apparently primarily to attract short-term foreign investment. Throughout the 1990s, real interest rates stayed about 10 per cent above inflation. Mostly for this reason, estimates put the cost of capital in South Africa at close to 20 per cent a year, far above the international norm. High interest rates restricted growth and economic restructuring. They had a particularly harsh impact on small-scale producers and low-income homebuyers – two groups that the RDP expected to spearhead structural change in the economy.

In 2000, the introduction of an inflation target of 3 to 6 per cent for CPIX (the inflation rate if we take out interest costs) seemed likely to bolster restrictive monetary policies. By the middle of 2000, this target required a decline in inflation of over 2 per cent – which, if the Reserve Bank wanted to reach its inflation target, could cause further hikes in interest rates, with disastrous implications for economic growth and development.

Box 1. Restructuring for a minimalist, managerialist state

The process of minimising the state has taken place through cuts in the budget and measures to downsize the public sector.

As the following table shows, since 1996/7 government spending fell behind inflation, reducing the real power of the state. With the population growing at over 2 per cent a year, the decline in spending per person was even greater.

Real growth in budgets, 1996/7 to 1999/2000

	1999/2000 – billions of rand	% of total expenditure	Real change, 1997/8-1999/2000
Education	47,800	20%	-9.0%
Health	29,900	12%	-3.4%
Welfare	19,700	8%	-2.0%
Police	14,800	6%	0.8%
Total budget	**243,400**	**100%**	**3.8%**
Budget less defence	*213,500*	*88%*	*-3.2%*
Population growth			*7.1%*

The massive increase in military spending that started in 1999 aggravated the effects of budget cuts. The arms procurement programme means the SANDF budget will increase over 10 per cent a year in real terms for the coming three years. In contrast, the major social services – health, education, welfare and police – will remain virtually unchanged, and infrastructure will decline more than 2 per cent a year.

One way to increase the funds for government services would be to restructure the Government Employees' Pension Fund (GEPF). Shifting to a pay-as-you-go system, even in part, would release billions of rand a year for other purposes without harming public servants' benefits. It is simply a more efficient way of funding these pensions. But the government has declined to explore this option.

Faced with shrinking resources, the transformation of the state centred increasingly on downsizing. The strategy that emerged by 1999 can be characterised as follows.

1. Government should take on only "core" functions, which no one else can do. "Non-core" functions in the public service, local government and state-owned enterprise should be privatised or outsourced. This strategy will establish a "contracting state," where the government as far as possible outsources functions rather than using its own capacity.
2. This restructuring process divides the state into semi-autonomous units. If they are profitable, they can ultimately be privatised or

outsourced. Where they do not make profits, even if it is because they are meeting social needs, they can be labelled inefficient and closed down.

The current strategy effectively empowers management in the public sector. Typically, it lets them define "core" functions, usually based on consultants' inputs. Moreover, it bars the political leadership from intervening as long as managers meet the terms of their contracts. Yet government does not have the capacity to design or monitor watertight contracts.

This strategy for restructuring has emerged in:

- Proposals for downsizing the public service by retrenching employees and outsourcing unskilled work.
- Igoli 2002, which aims explicitly to establish Johannesburg metro as a contracting state supplied by autonomous (although still state-owned) enterprises.
- Proposals for restructuring the four largest parastatals (Eskom, Transnet, Telkom and Denel) by establishing separate and autonomous divisions and/or introducing private competition in historically state-controlled industries, especially electricity, transport and telecommunications.

This approach is hostile to the NDR. The minimalist state does not have the power and capacity to restructure the economy and social services to meet the needs of working people. At the same time, this kind of restructuring strengthens public-sector management relative to the political leadership, labour and communities. Even where resources remain in state hands, they will be increasingly controlled by autonomous managers, who often do not approve of or fully understand the NDR.

Finally, the government did not articulate a clear industrial or trade policy to restructure the economy toward greater equity and growth. There was no explicit strategy to address the decline in mining and agriculture and grow manufacturing and services. The Skills Development Act was one of the few measures that pointed toward a more pro-active approach to development.

The government did establish a firm commitment to liberalising trade. To that end, it reduced tariffs faster than required by international agreements. Inefficient and ineffective Customs operations added to the problem. In the absence of concerted measures to help producers adapt, these developments cost tens of thousands of jobs.

The combination of restrictive macroeconomic policies and unrestricted trade fuelled an investment strike. Investment remained far below the 25 per cent of GDP needed for sustained development. Private investment actually fell 7 per cent between 1997 and 1999. In the twenty years to 1990, only substantial state investment programmes had stimulated private investment; by cutting down on both the budget and state-owned enterprise, the government ruled out this strategy.

As the government implemented conservative economic policies, massive job losses occurred. The level of employment fell to that of the late 1970s, and unemployment rose to almost 40 per cent. The rate of unemployment was highest for black people - close to 50 per cent for African women overall, and in the Northern Province and the Eastern Cape.

The shift to conservative economic policies had important implications for governance. Officials developed and implemented these policies (including the GEAR itself, fiscal policy in general, and the determination on small-scale enterprise in terms of the BCEA) with little consultation outside government or even with Parliament. They could not afford to encourage inputs from the traditional constituencies of the NDR – working people and the poor – because that would lead to big changes in their proposals. Similar factors lie behind the pressure to weaken NEDLAC, either by keeping issues out of it or replacing it with forums that do not require negotiations. It is clear that government is not willing to open economic policy to broader debate and consultation, despite agreements to that effect in the Alliance and the Presidential Job Summit.

In sum, after 1994 the NDR made important advances in establishing a democratic system, investing in human-resource development, and addressing basic needs. But conservative economic policies threatened to reverse these gains. On the one hand, they led to cuts in government services. On the other, to maintain unpopular economic policies, government had to limit mass participation in developing programmes and carrying them out.

2.2 The Alliance

The environment in which the Alliance is operating has changed greatly since 1994. We need to take the time to reflect on the implications of these new conditions for each of our organisations. One partner - the ANC - is in government, while the SACP and COSATU are not. In theory, this should mean the Alliance is in power; in practice, COSATU and the SACP are not, since they have little or no say in government policy. To understand the implications, we here assess how the Alliance has functioned in the last six years.

After 1996, the Alliance did not go much beyond broad statements on shared objectives, with limited influence on what actually happened in government. It fundamentally failed to develop a strategy to implement the RDP. This space was utilised by capital and conservative forces within the state to drive through their programmes. The failure of the Alliance to function properly often forced COSATU to compete with other formations in society to influence the ANC government. This is untenable and against the spirit of the Alliance.

Between 1996 and 1999, the Alliance fell into a reactive mode of managing crisis and resolving tensions when they grew too great. It did not assert hegemony over policy development within government. Too often, it was used instead to get the democratic movement to agree to policies that originated within the bureaucracy or business. Government presented major proposals, especially on the economy, as *faits accomplis*, in some cases with no effective consultation. It expected the Alliance partners automatically to understand the constraints it faced and the compromises made.

There was widespread expectation that the unity of purpose achieved in the campaign for the June 1999 elections would initiate a qualitative improvement. COSATU ex-

pected an Alliance agreement on a new style of governance, with ANC and Alliance structures as the driving force behind the formulation, implementation, and monitoring of government policies. To this end, it thought the Alliance would sit down and thrash out a programme for social transformation based on the RDP and the Election Manifesto. This expectation was consolidated by the release of a joint document called *Accelerating Change: A Framework for Our Second Term of Governance.*

As time has passed since the election, these hopes have receded. The Alliance is back to its old mode of mediating disputes. It is increasingly marginalised from strategic decisions. Government has not even tried to implement much of the ANC Election Manifesto.

The Alliance has still not held discussions to reflect collectively on the way forward. The summit scheduled for August 1999, which was to focus on the unemployment crisis and develop a programme for the next five years, has been postponed indefinitely. An extended meeting of Alliance National Office Bearers (NOBs) in December 1999 attempted to establish a political centre to ensure more constructive and pro-active strategies. It set up a new structure comprising the Secretariat of the Alliance and the ANC Presidency. But almost a year later, this structure has not yet met.

The relationship between government and the Alliance is dangerously undefined. There is no mechanism to ensure that government implements Alliance agreements. Some in government seem uncomfortable about consulting the Alliance partners on major policies. They adopt the refrain that "government must govern." In part, this slogan reflects the reality that consultation cannot delay decisions forever. But it effectively undercuts the principles of participatory democracy. It may have four negative results.

1. It can lead to low-intensity democracy, where the people are reduced to electing leaders every five years or so. That gives big business more opportunities to influence government.
2. By imposing limits on consultation, especially with the main constituencies of the government, it leads to less well-informed policy-making.
3. It reduces popular buy-in on policies, making it hard to mobilise communities and mass-based organisations to implement them. It then becomes harder to carry out policies in the face of resistance from opponents of the NDR.
4. It supports a Western-style democracy where parties do not have clear principles but instead align their election manifestos with public-opinion surveys – and after the elections, ignore them at will.

Against this background the Alliance is heading toward a crisis. The reasons include the failure of its structures to function effectively and consistently and the absence of a link between Alliance agreements and what is happening in government. Yet the Alliance partners agree that the major shortcoming in the post-1994 period was the failure to drive policy and processes of governance.

2.3 The ANC and Government

A critical obstacle to the work of the Alliance is the lack of decisive control by the ANC as a party over policy development and implementation by the state. As a result, the Executive is isolated as the dominant voice in deciding on government actions. This situation set the stage for the shift to the right in economic policies after 1996.

Under the inherited system, Cabinet members have virtually total control over their portfolios. Although Cabinet is supposed to act as a collective, it rarely requires changes in departmental measures. Cabinet members do not have to consult within the ANC or the Alliance on policy proposals. Moreover, the ANC as a party has neither its own technical expertise nor policy-making processes that involve its mass base. That makes it difficult for the ANC to assess official proposals or offer alternatives.

In these circumstances, public-service management has largely determined national policies, often with little consultation with stakeholders. Indeed, many policies now espoused by government - including massive military procurement, privatisation and fiscal policies - were first drafted in the bureaucracy long before 1994.

True, after 1994 many progressive officials joined government. But many have been separated from the democratic movement by the dogma that officials must be apolitical. Their isolation made them vulnerable to lobbying by capital, past beneficiaries of apartheid programmes, and foreign donors. In contrast, in countries like the U.K., Ministers have teams of openly partisan policy advisors to design and monitor their departments' policies.

Despite these structural problems, many Ministers and high-level public servants are still trying to realise the basic goals of the NDR. But budget cuts, lobbying by the beneficiaries of apartheid programmes, and resistance from old-line bureaucrats hamper their efforts.

Democratic government requires creative tensions between the executive and parliament on the one hand, and within the Alliance on the other. These debates are necessary for a vibrant culture of debate and accountability. Otherwise, unmanaged divisions between the executive, the legislature and the mass base of the ANC may cause fragmentation.

In short, after 1994 the Alliance did not establish hegemony over policy making and implementation. That meant that government did not act consistently to implement the RDP, and ultimately permitted a retreat to the right on economic policy.

3. The conceptual frame work of the NDR

The NDR arose as a reaction to the way colonial capitalism distorted South Africa's society and economy. That system combined national, gender and class oppression. The NDR addresses this heritage by demanding radical moves toward democracy and equity in both the state and the economy.

The national liberation movement, the ANC and its allies, characterised the South African system of

colonialism as a system of "internal colonialism" or "colonialism of a special type." In every important respect, the features of classic colonialism marked the relations between the black majority and the white minority. The South African situation was special only because there was no spatial separation between the colonising power (the white minority state) and the colonised black people.

While less obvious than racial tyranny, gender oppression was central to apartheid. Apartheid laws set out limited and impoverished roles for African women. In particular, as they enforced migrant labour, they defined the role of African women in society and the economy. At the same time, the colonial system in South Africa, as throughout the continent, greatly intensified the gender oppression found in pre-colonial systems. The combination of colonial and customary oppression denied women basic social and economic rights in the family and the community. Many women were barred from living in cities, owning land, family planning, inheriting, borrowing money or participating in political and social struggles. The system led to widespread abuse of women, both inside and outside the family.

The racial and gender form of colonial domination masks its underlying economic logic - the exploitation of the black working class. Race and gender oppression are not about mere prejudice, but ultimately about using power and control in the interests of capital. The colonial system introduced the pass laws, hut taxes, influx controls, single-sex hostels and a plethora of other oppressive measures, which were perfected under apartheid. They worked to force the indigenous people off their land and establish the migrant labour system, with its oppressive gender roles, in order to generate cheap black labour. That system supported capitalist accumulation, especially on the mines and farms.[1]

It follows that apartheid was not opposed to capitalism, as business often claims. Rather, it was the form capitalist accumulation took in our colonial setting. Attempts to separate apartheid and capitalism ignore the fact that capital in South Africa grew out of the expropriation of land and labour power by the armed might of the colonial state.

Under apartheid, the dominant centre of capital became an interconnected group of huge companies based in mining and the related financial sector. Directly and indirectly, these companies command most investment. To this day, Anglo American controls over half of the assets on the Johannesburg Stock Exchange, while four banks own most of the financial sector. These giants worked closely with state capital in the parastatals, which gave them critical support in the form of energy, credit and infrastructure.

In sum, the NDR represented a united response to the common subjugation faced by the majority of South Africans, which joined class, race and gender oppression. This history shaped its main aims and objectives.

3.1 Nature of the NDR

The form of oppression prevalent in South Africa meant that the fundamental objective of the NDR is the liberation of black people in general and African people in particular from national domination anom intervening as long as managers meet the terms of their contracts. Yet government does not have the capacity to design or monitor watertight contracts.This strategy for restructuring has emerged in:Proposals for downsizing the public service by retrennt.

In **political terms**, the NDR's radical democracy includes both representative and participatory democracy. The NDR is not about low-intensity, formal democracy - the right to vote in periodic elections. People must participate in every stage of decision-making that affects their lives. Our democracy must deliberately open the space for the majority of the people to participate directly in the transformation process and shape policies geared towards uplifting their lives. That means transforming the relationship between government and the people, and transforming the relationship between the Alliance and government structures.

Popular participation should not be conceived as a burden on democracy, creation of dual power, or an obstruction to effective governance. Rather, it is a critical instrument in breaking the monopoly of the former ruling block. The experience of the last six years demonstrates that without the countervailing power of the progressive movement, people's representatives become vulnerable to pressure from the reactionary forces.

Radical transformation of society is essential to ensure that the bulk of the oppressed majority benefit from liberation. As the ANC 1969 Strategy and Tactics Document emphasises,

> "In our country – more than any other part of the oppressed world - it is inconceivable for liberation to have meaning without a return of wealth and the land to the people as a whole. It is therefore a fundamental feature of our strategy that victory must embrace more than formal political democracy. To allow the existing economic forces to retain their interests intact is to feed the root of racial supremacy and does not represent even the shadow of liberation."

As the following table suggests, in its **economic and social policy**, the NDR essentially embodies a radical social democracy tailored to meet the needs of the majority of South Africans. It is not socialist, because it accepts the continued existence of large-scale private capital.[1] But it cannot afford to let the mining-finance centre continue to dominate the economy and society. To succeed, it must build up new sites of economic power. To that end, it must strengthen the public sector and support other forms of

1 In this connection, the RDP is less radical than the Freedom Charter, which called for nationalisation of the mines and banks in order to return the wealth to the people. Although the RDP indicates that nationalisation might be acceptable in some cases, it does not call for any specific measures.

social capital such as ownership by organised labour and co-operatives, as well as small and micro enterprises. These new relationships must increase the power of the historically oppressed majority – black people, and especially black women.

The NDR also aims to improve income distribution and eliminate poverty through a qualitative improvement in government services and social security for historically disadvantaged communities. This process should help change the position of women in the family by reducing the burden of household labour and giving them new productive resources.

The NDR requires the use of state power to transform economic power and uplift communities over time. But delays in restructuring of the economy have let resistance by capital undermine it.

Specifically, in a pattern found throughout Africa, the state has had obtain funds primarily from the rich – ultimately, from capital itself – through taxes and borrowing. Yet the centres of capital do not see greater economic or social equality as in their own interests. They have reacted by lobbying for cuts in government spending and activities, opposing policies aimed at democracy and equity, and avoiding new investment and job creation.

3.2 Struggles around class, race and gender in the NDR

In resisting apartheid, the democratic movement forged broad alliances that included at least fractions of classes beyond the working class. The NDR is the product of those alliances, which reflected the common oppression and deprivation of all Africans, and especially African women. With the achievement of political and human rights in 1994, however, class differences within the majority have grown, and the alliances that led to democracy have suffered new strains.

As a result of these developments, the position of the working class in the NDR has come under attack. Opponents argue either that the NDR is a waste of time and a detour from class struggle, or that it does not require leadership by the working class. The first approach ignores the realities of power in South Africa; the second misrepresents the central social, economic and political role of labour. To assess these arguments, we first define the relationship between the class struggle, race and gender in the NDR.

3.2.1 Class struggle in South Af rica

By class struggle we mean the battle between contending class forces for control and ownership of the means of production. The concept of class defines social groups in terms of their relationship to the means of production and consequently their role in the economy. In any class society, the major class distinction lies between those who both own and control the means of production, and the "non-owners" who must work for them in order to earn a living. The contest of these classes for economic, political and social power led Marx and Engels to conclude that "the history of all hitherto existing society is the his-

Social and economic aims of the RDP

	Situation in South Africa today	Radical social democracy	Socialism
Ownership	Domination of the economy by interlinked mining and finance interests; extreme inequa-lities in wealth; co-option of some black leaders into big business	Continued private ownership of substantial parts of large-scale production, but a stronger public sector and other forms of collective ownership as well as SMMEs	The state and other forms of collective ownership dominate large-scale production
Income distribution	Improvements in social security and government services for majority largely stopped by budget cuts; huge job losses cause rising inequality	Expand social services and social security plus large-scale job creation through industrial policy, public investment programmes, vibrant SMMEs and skills development	Collective ownership as the basis for equality in incomes and wealth plus job creation; expanded social services, universal social security and skills development
State	Low-intensity democracy[1]	Open government, mobilising mass-based organisations to design, implement and monitor policies. The aim is a people-centred, people-driven society	Democratic social organisation, under the leadership of the working class, based on popular democracy and social ownership of the means of production[2]
Resourcing of policies	Restrictive fiscal policy with lower, less progressive taxes	Expansionary fiscal and monetary policies and more progressive taxes	State owns productive assets, and funds social security and services from enterprise revenues.
Risks and obstacles	Resistance by poor majority; persistent economic stagnation	Rising government debt; resistance by existing centres of capital leading to investment strike and pressure to reverse policies	Attacks by national and foreign capital may undermine the economy and the ability to maintain the system

[1] This form of government conflicts with commitments in the Constitution to establish participatory democracy.

[2] In countries that have attempted to build socialism, the commitment to democracy was often undermined by the need to resist the concerted onslaught from foreign powers.

tory of class struggle." (*Selected Works*, p. 35)

The possibility of class alliances arises where in addition to the dominant classes, other classes exist, such as peasants or intellectuals. It may also emerge because no class is fully homogenous. In each of the dominant classes there are "fractions" with divergent interests and strategies. For instance, in South Africa today, the capitalist class broadly comprises those who own and control the means of production. But within that class, different perspectives on social and economic strategies vary by sector (mining or manufacturing, for instance), the race and gender of management, and the scale of production.

In any society, the specific form of the class struggle accords with its concrete conditions. That means that the content of class struggle does not remain fixed in perpetuity. Nor can it be confined to those rare moments when the attainment of socialism is on the immediate agenda. In most periods, the class struggle takes the form of battles to protect workers' direct interests, combined with campaigns for broader social and economic transformation. In most periods, these general campaigns require an alliance with other classes and fractions of classes – typically small-scale farmers and entrepreneurs, and professional groups inside and outside of government.

A class alliance for progressive ends does not mean the class struggle has faded into the background. Lenin castigated the idea of a "pure class struggle." Such a position, he wrote, would expect every social revolution to produce two neatly labelled armies:

> "So one army lines up in one place and says 'we are for socialism' and another, somewhere else, says, 'we are for imperialism,' and that will be a social revolution!.. Whoever expects a 'pure' social revolution will never live to see it. Such a person pays lip service to revolution without understanding what revolution is." (*Collected Works*, Volume 22, pp.355-6)

In South Africa, the history of oppression on the basis of race and gender created the conditions for a broad alliance of all oppressed people. In this alliance, the working class played a central role. But apartheid created almost equal deprivation of wealth and rights across the classes within the black community, providing the grounds for unity with small-scale farmers and entrepreneurs, young people and students, women and professionals. Before 1989, at least, there were few class divisions in objective terms within the liberation movement. Class conflict in the democratic movement emerged more in political disagreements, less in economic power, income or lifestyle.

With the achievement of political democracy, the unity of the majority that led to national liberation faces new challenges. On the one hand, some sections of the oppressed are able to join the capitalist class, both by using positions in the state and by co-option directly into big business. On the other, once political freedoms have been achieved, underlying differences in long-term economic and social interests emerge. These class dynamics means that some in the move-

ment have already met their basic interests, and argue the NDR is completed.

To understand the changes since 1994 calls for an analysis of shifts in class formation. There has been no basic change in the nature of the dominant fraction of capital, which remains centred in mining and the financial sector. But new classes have emerged among those oppressed under apartheid. Above all, a few have managed to progress rapidly in business and the state machinery, in some sectors achieving considerable economic power and political influence. For the majority, in contrast, the period after 1994 brought a range of freedoms and some social services, but changed little in their economic position. The job-loss bloodbath, particularly for low-paid workers but more recently also for higher-skilled people, undermined many of the gains won by labour. (See Box 2).

In these circumstances, it becomes important to define more clearly the role of the working class in the NDR.

3.2.2 Attempts to take the class struggle out of the NDR

As a result of developments in class structure, the position of the working class in the NDR has come under attack. This attack has taken two forms - the argument that the NDR is a waste of time and a detour from class struggle, and the contention that the NDR is not a project of the working class, but rather aimed only at national liberation or the poorest of the poor. These positions essentially converge in the demand that the state support black business in both the private and public sector, and drop measures to transform society more fundamentally.

This attempt to reinterpret the NDR goes hand in hand with the emergence of a new ideological current that represents the interests of capital and conservatives across the political divide. This new view – which the SACP defines as "afro-neoliberalism"[1] - represents the interests of capital and conservative forces within the democratic movement. The neo-liberal variant spearheads the "modernisation" and "liberalisation of the economy," while the Africanist variant articulates the sectoral interests of an emergent/aspirant black bourgeoisie by inserting black economic empowerment into the neo-liberal discourse. This nascent ideology is a reflection of the realignment of class forces whereby white capital works to co-opt elements of the black bourgeoisie, both inside and outside of the state.

A central part of the afro-neoliberal argument is that the organised working class is in fact a labour aristocracy. By extension, the class struggle will only benefit an already privileged minority. Instead of ensuring benefits for the majority, then, the NDR should seek to uplift only the poorest of the poor – essentially small-scale entrepreneurs in survivalist enterprise, including peasants, and the unemployed.

The belief that organised labour forms a privileged group derives in part from the fact that unions are particularly strong in manufacturing and the public service. Employees in these sectors fall into the top third of income-earners in the la-

Box 2: Data on class formation in the 1990s

Class formation in the 1990s reflected two contradictory forces: the loss of hundreds of thousands of jobs in mining, agriculture, manufacturing and the public sector; and the increase in high-level opportunities for blacks and women with the necessary competencies.

A study of income distribution by WEFA Southern Africa shows that the poorest 40 per cent of black households saw a drop of 20 per cent drop in income between 1991 and 1996. This decline reflected, above all, the fall in formal employment. In the same period, the proportion of black households among the richest 10 per cent of households in South Africa more than doubled, from 9 per cent in 1991 to 22 per cent in 1996.

In the same period, Reserve Bank figures show that the share of labour in the national income fell steadily. By implication, in the aggregate the rise in employee incomes lagged behind the growth in productivity, increasing returns to capital. The relative drop in labour incomes continued a trend that lasted from 1992 until 1998. In 1992, labour received 57,5 per cent of the national income. Its share fell to 54,8 per cent in 1997, although it rose to 55,4 per cent in 1998.

According to the October Household Survey, between 1996 and 1998 the economy lost 300 000 formal jobs, and gained about the same in the informal sector. But job security and earnings in informal employment are far lower and less stable than those from formal work. Meanwhile, workers in formal employment have been subjected to the intensification of exploitation through casualisation, piecework, outsourcing and other repressive measures. The working class has therefore suffered substantially from the restructuring of the economy.

At the same time, the October Household Survey also suggests, although Africans experienced a fall in overall formal employment, they were able to retain more skilled positions. Most job losses affected elementary employment. The main increase in employment for Africans, especially African women, occurred in the professions. This pattern largely reflected the increase in employment of teachers and nurses in the period. Between 1995 and 1997, the share of African employees reported in elementary jobs declined from 40 to 35 per cent, with a compensating increase in more skilled positions.

A similar pattern emerged for women. Employment appears to have declined more slowly for women than for men overall, especially in elementary jobs. This probably reflects the relative stability of domestic labour. But women saw an increase in professional positions.

Black economic empowerment has failed to dent South Africa's highly concentrated ownership to create new centres of economic power. Instead, it has been limited to advancing a minority of well-connected black individuals, mostly using white capital. It is still very much concentrated in the mining-finance complex. One study suggests that Afrikaner capital was the main beneficiary of economic restructuring, reflecting the maturation of this fraction of capital. In contrast, the share of black-controlled companies in the Johannesburg Stock Exchange dropped from 3,8 per cent in January 1999 to 2,9 per cent in March 2000.

bour force as a whole. This view ignores the fact that unions are strong in other sectors, such as mining, that have relatively poor conditions. In any case, better conditions in organised industries resulted from long years of struggle. The "labour aristocracy" view also arises in part from a (mistaken) impression that unions have blocked transformation in the public service.[2]

The perception that organised labour forms an aristocracy threatens both political and economic mobilisation to transform the economy.

In economic terms, measures to equalise incomes by taking from the organised working class merely distribute resources from the poor to the very poor. The top 10 per cent of households in South Africa control over 40 per cent of the national income, and a far higher share of the national wealth. In contrast, the next 40 per cent of households – which includes virtually all of organised labour – receives only its proportional share of national income (that is, around 40 per cent).[3] Then, through remittances to rural areas, workers provide critical support for even poorer households. Unemployed people depend on support from their employed relatives.

In political and social terms, focusing on the poorest at the expense of workers effectively deprives the NDR of coherent progressive leadership. Marx and Engels saw the working class as the motive force for change, not because it was the most oppressed and poor, but because of its strategic position in large-scale production, which supported strong, progressive organisation. Even now, the organised working class provides a critical basis for maintaining the power of the Alliance in all areas of society, including through the elections.

Efforts to deny the central role of the working class end up by stripping the NDR of its progressive content. In essence, they would reduce reconstruction and development to:

- Using state power to give more

1 SACP, 2000. *Consolidate Working Class Power for the Eradication of Poverty*, p.19.

2 Certainly the historically white staff associations, which still essentially represent medium and high-level officials from the previous government, have sought to block major changes. To that end, they often entered an effective alliance with reactionary managers. But the Cosatu affiliates – the largest unions in the public service - generally support transformatory initiatives, while trying to minimise the cost to the workers concerned.

3 Figures on household income distribution calculated on the basis of the CSS Household Expenditure Survey. Analysis by Whitehead and van Seventer of the 1991 and 1996 Censuses led to similar conclusions. In their analysis, in 1996 the top 10 per cent of households received 53 per cent of the national income, and the lowest 40 per cent received 3 per cent. (WEFA,

opportunities to the minority of black people and women with the skills and luck to enter the centres of state and private capital, and

- Promising – and sometimes delivering – improvements in services to remote rural areas. But the poorest of the poor have, by definition, little political or social power. Experience elsewhere in Africa suggests, then, that unless they have the support of the working class, government will not meet its commitments to them in the longer run.

In short, in the current conjuncture, while the democratic state still represents the class forces originally allied against apartheid, it cannot seek merely to mediate between class interests. Rather, it must implement measures that will ensure transformation biased towards the working class and the poor. The NDR is not about redistribution from the "poor" to the "poorest" but from the rich to the poor. It is about democratisation of economic and social power on a broad scale, which needs workers as the best organised class.

3.2.3 The NDR and the socialist transformation

"The wealth of the other explains the poverty of another" (Adams Oshiomhole: Nigerian Labour Congress President)

Socialism is a transitional social system between capitalism, as well as other systems based on class oppression and exploitation, and a fully classless, communist society. It is characterised by four core features: democratisation; equality; freedom; and the socialisation (social ownership) of the dominant part of the economy.

For COSATU and the SACP socialism is not just a vision, an ideal located in some distant future that we can only dream. We seek actively to build capacity for socialism, momentum towards socialism, and elements of socialism, here and now.

South Africa has a relatively advanced capitalist economy and proletariat. A democratic and legitimate government is in power and enjoys wider popularity among the electorate. The existence of a Communist Party with a rich history of struggle is also a source of strength. As the NDR matures, depending on the trajectory that the democratic movement pursues, the conditions for a socialist transformation can be increased.

Some observers argue that, because the NDR does not aim explicitly to socialise the commanding heights of the economy in the short run, it is a detour from the struggle for socialism. This argument ignores the fact that the NDR must create the social, political and economic preconditions for the transition to socialism. It overestimates the ability of the working class succeed without its traditional allies.

In addition, capitalism has considerable resilience and hegemony in the current conjuncture. Thus, it survives even in societies that seem ripe for social revolution. Internationally, after all, the capitalist system has failed to resolve basic human problems. It is marked by the co-existence of growing concentration of wealth and technological progress with deepening poverty and inequality. For the overwhelming mass of people, the reality is far removed from the idyllic picture

drawn by free-market ideologues. Yet no serious rupture has occurred. Socialists must collectively try to understand this paradox.

These realities define the main form and content of the workers' struggle at the present historical moment, as well as the alliances needed to advance working class objectives. For the NDR as we understand it to succeed, the working class has to maintain broad support for the progressive agenda. By rejecting alliances and trying to go it alone, the working class would surrender leadership of the national struggle to capital.

In these circumstances, developments that take the name of the NDR will not automatically further the interests of the working class. Labour must use its power to ensure that other forces do not strip the NDR of its radical content. In particular, the black middle and upper classes who take part in the broad liberation alliance jostle for hegemony and attempt to present their narrow interests as benefiting all Africans.

In practice, the NDR prepares for socialism in several ways.

- Democratisation of the state reduces the power of capital and gives working people more strength to bring about a socialist transformation.
- The provision of basic amenities such as health, education, water and social security irrespective of the ability to pay rolls back the market and limits the commodification of production that is typical of capitalism.
- Democratising the economy weakens the stranglehold of the mining-finance complex and strengthens socialised capital, including through the state and co-operative sectors.
- Taking progressive positions in international forums helps shape the world climate needed to build socialism over time.

Over the past six years the democratic state has begun to address some of these issues, sometimes in an inconsistent and contradictory manner. But the gains achieved in the first term of governance are under threat from a concerted campaign by capital to subvert the struggle for transformation and wean it of its radical content.

Socialism is not a book exercise. Therefore, workers' and community struggles must be woven into a socialist strategy. They should help build a broad coalition of forces for socialism. As a matter of importance, the ANC and the democratic government must be integrated within these struggles. To leave them out would give away the vehicle and leverage to build the momentum for socialism. That means labour must push consistently for progressive strategies to implement the NDR.

4. The Balance of Power

"A proper understanding of a given balance of forces is critical in defining the tactics that the liberation movement should adopt at each stage of transformation. To ignore this would be to fall victim to voluntarism and a revolutionary militancy that has nothing to do with revolution. Such 'populism' can in fact lead to the defeat of the revolution

itself...On the other hand, a fixation with balance of forces as an immutable phenomenon results in malaise or statis, and it can in fact become the swan song for indecision, and even reaction, to preach caution where bold action is required. Objective circumstances are not carved in stone. Any balance of forces is dynamic, influenced by changing endogenous and exogenous factors." (ANC, *Strategy and Tactics*, 50th National Conference, p. 4)

The ANC won both national elections by huge margins. That provides a strong popular base to carry forward social transformation. But we need also too look at the balance of forces in social and economic terms. To that end, we here consider the nature of capital and the state, the international situation, and some of the strategic challenges facing COSATU.

4.1 The second democratic election

The second democratic elections in June 1999 gave the ANC an overwhelming mandate to continue with social transformation. The massive electoral victory opened the space for implementation of a far-reaching transformation programme. Armed with an almost two-thirds majority, intense popularity among the electorate and international support for the struggle against apartheid, the ANC-led government has considerable power to counterpoise to that of the opponents of the NDR.

Despite attempts to frame the elections in terms of reactionary issues such as capital punishment and abortion, the vast majority voted for social transformation. Factors behind the ANC victory include:

- Its popularity amongst a large section of the population;
- Organisational work by the entire Alliance, with COSATU shop stewards playing a central role; and
- The Elections Manifesto, which called for the acceleration of social change, with more effective strategies in areas such as the economy, job creation and crime.

The massive ANC electoral victory left the opposition benches in disarray. The National Party (NP) suffered major setbacks nationally and a plunging majority in the Western Cape. Marginal improvement in the position of the Democratic Party (DP) was at the expense of the NP. The IFP's ambitions of being a national force have failed to materialise. It barely retained its majority in Kwa-Zulu Natal. The new parties such as the UDM have no hope of shaking the ANC majority. The UDM can no longer claim to be a major challenger. The PAC also saw a severe drop in its parliamentary fortunes, and AZAPO barely managed to scrape a single seat.

The electoral victory removes the threat that opposition parties will be able to block progressive measures through the legislative process. Still, they will certainly profit from indecisiveness or a failure to drive through a progressive agenda.

In particular, the DP represents two realities, which are both congruent and contradictory. In some respects the DP has moved into terrain into

which the NP, hampered by its shameful past, dares not tread. Thus, for electoral purposes, it has shamelessly nurtured the racial phobias of white and other minority constituencies. At the same time, it advances a fundamentalist neoliberalism, which favours the formation of a "non-racial" new elite, but will perpetuate racialised poverty and unemployment, and deprive workers of hard-won rights.

The electoral victory is a major source of strength. But power over the state does not guarantee the NDR. Economic power still resides primarily with conservative elements of capital.

4.2 The counteroffensive: The role of capital

The economy - and to a large extent the discourse on economic policy - is still dominated by the mining-finance complex. It has been backed up by international capital, including the multilateral institutions. Their political agenda is to wean the NDR of its radical content. Indeed, the GEAR is a milder version of the *Growth for All* economic strategy sponsored by the big business complex in 1995.

The disproportionate power of the mining-finance complex has important implications for economic development and interactions with business.

First, the mines and big banks see themselves primarily as part of international capital. Faced with a domestic crisis, they seek foreign investments and list abroad, rather than diversifying the local economy. In contrast, in countries where economic power centres in manufacturing and agriculture, as in South Korea, capital has proven more willing to accede to vigorous policies to restructure the economy.

Second, the dominant segments of capital tend to be conservative on labour issues. The mines still have a history of oppressive working conditions, with a high degree of migrant, often foreign, labour. The financial institutions do not employ large numbers. They often maintain an ideological commitment to reactionary labour practices that larger employers have had to outgrow.

Finally, the Chamber of Mines and the big financial houses dominate as spokespeople for business. They employ more economists and communications experts than other companies. They do not, however, articulate the views of more progressive sections of capital.

Despite the adoption of a business-friendly macroeconomic strategy and a host of incentives to stimulate investment, this part of capital has refused to reward government and the country with increased investment or job creation. On the contrary, it demands further liberalisation of the economy and the reversal of gains made by labour laws. Through continual lobbying of political leadership and high-level officials, as well as through the media, it tries to build support for a conservative consensus, and bully those who propose alternatives. Its attack tries to splinter the democratic camp by isolating those who propose radical measures and showering praise on those that big business considers "pragmatic."

The concessions given to capital since 1996 suggest its leverage over

the democratic state. Since the adoption of GEAR, business confidence and bargaining strength has increased.

It would be folly on our part, however, to paint business with a single brush. There are significant differences between fractions of capital, based on sector, size, and race. Some of fractions of capital – particularly manufacturing industry and small-scale producers – have suffered greatly from the current forms of economic adjustment, including trade liberalisation, restructuring the state and ending subsidies, and stringent fiscal and monetary policies. But the fact is that the dominant mining-finance complex has largely drowned out or stifled the voices within business that question the conservative economic strategy.

4.3 The state

Analysis of the balance of power requires an understanding of who controls policy development and implementation within the State. The fundamental task of a revolution is to capture state power and use it to transform economic and social power relations.

The critical role of State power in the NDR means that we have to reflect on the nature of the State. In Marxist theory, the State is ultimately an instrument of the ruling class. It emerges from the society, but presents itself above the society. It defines certain class interests as the national interest, and labels those interests that do not conform with its programme as sectionalist, reactionary, and so on.

In transitional periods – for instance, with liberation from colonial rule, in South Africa and the rest of Africa - political and economic power may diverge. In these periods, the new masters of the State can intervene to change the nature of economic ownership and power.

This process is risky and uncertain. The democratic State is itself a site of contestation between capital and the progressive forces. Capital exerts tremendous pressure to modify the objective interests and ideology of the political leadership in its own interest. If it succeeds, it establishes a unified ruling class where the State machinery aims primarily to advance and protect the interests of capital.

For this reason, we must maintain a strong progressive movement inside and outside the state. The state must continuously be put under pressure to prevent one-sided pressure from capital.

In much of post-colonial Africa, the contestation over the state led to the emergence of a bureaucratic bourgeoisie. We define the bureaucratic bourgeoisie as a class that uses its control of the resources of the state – both assets and the bureaucracy - to maintain its own power and privileges. Ultimately, the interests of the bureaucratic bourgeoisie lie in stronger social, economic and ultimately political links with private capital.

In effect, in the rest of Africa, colonial rule made it almost impossible for Africans to take part in capital accumulation. After colonialism, then, the new bourgeoisie emerged largely amongst those could use state power to catch up.

In South Africa, under apartheid, government leaders and top officials were closely linked with big business, despite differences on tactical issues. The management of state-owned enterprise, in particular, formed an integral part of capital, with a host of common economic and political interests. But the top officials in the bureaucracy were also part of the ruling class, with social, political and economic linkages with white business.

With the transition to democracy, this situation changed. Our state today can be described as a national democratic government presiding over a largely unreconstructed state machine in a capitalist system. Its task is to restructure both the state system and the economy. In principle, the Alliance consensus is that the NDR requires an active, interventionist developmental state biased towards the interest of the working class and the poor. In practice, as discussed above, this has not happened. Instead, since 1996 budget cuts and restructuring toward a minimal state have undermined government's capacity.

Various factors could lead to the emergence of a new bureaucratic bourgeoisie.

- Capital launched massive assaults on ANC cadre in government. It used two main weapons – vicious public attacks on progressive measures, combined with endless and intensive lobbying, wining and dining, and even corruption in order to sway individual leaders.
- In this context, inadequate systems to ensure Executive accountability to the Alliance released government leaders from consistent oversight and support. It created conditions for the politics of patronage and careerism - a great threat to internal organisational democracy and the NDR, and a critical source of strength for the bureaucratic bourgeoisie.
- The Alliance did not end the inherited system of high incomes and privileges granted top officials and other leaders in government. Public service managers and Ministers now belong to the highest 1 per cent of all income earners in South Africa. No limits were placed on leaders joining business straight out of government or investing in enterprises, which increases the potential for lobbying by capital. Senior officials still do not need to declare their assets and investments.

Preventing the development of a bureaucratic bourgeoisie requires that collectives exercise power, rather than individuals. High-level government personnel, including officials, must be re-integrated systematically into the work of the democratic movement. Ministers must have collectives of policy advisors who understand the aims of the NDR. Public accountability and openness must ensure monitoring and review. In the absence of consistent support of this kind, power can and will corrupt.

COSATU public sector unions, as a detachment of the working class and revolutionaries, must lead struggles to transform the state. The resolutions of the 2000 Service Delivery Conference help show the way forward.

In addition, to carry out the tasks

of the NDR demands a high degree of planning and co-ordination. Otherwise, the Government cannot redirect resources or maintain a strategic line in the face of strong opposition from capital. But government co-ordination has been undermined by various factors. The inherited state did not have a clear co-ordinating centre except for the security apparatus. No new co-ordinating centre has been established since the RDP Office was closed. The creation of cabinet clusters aims to create more integrated policy development and implementation, but it is too soon to judge its success.

In the absence of a dedicated planning agency, the Department of Finance has expanded its power and competency as the only agency able to regulate other departments. Leaving co-ordination to Finance has proven highly problematic. After all, the department is charged with maintaining a stable fiscal regime, not with overall development. It has tended to push restrictive fiscal policies at the cost of improvements in services and economic restructuring.

In sum, the radical reorganisation of the state to ensure openness and democracy remains far from complete. Instead, the inherited structures have tended to give individuals excessive power, without ensuring that they function as a part of the democratic movement. The delegation of effective planning to the Department of Finance has tended to put development needs in second place behind fiscal restrictions. In these circumstances, the danger exists that a bureaucratic bourgeoisie will begin to use the state in its own interests.

4.4. The international situation

Social transformation in South Africa is occurring in a hostile international environment. The dominance of capitalism and neo-liberal economic orthodoxy has imposed constraints on the ability of the democratic state to forge ahead. But these constraints are not as rigid as capital makes out. Big business invariably exaggerates the global constraints in order to blackmail the state into supporting its policies.

The most important change in the international situation in the 1990s was the entrenchment of the hegemony of the United States and the capitalist world system, and with it the power of multinational companies. Europe and Japan are still challenging the dominance of the United States, but remain behind it in influence.

In this context, capital has the power and flexibility to find ever-cheaper sources of imports and to force down trade barriers. It gained both politically and economically from the opening of Eastern Europe and the former Soviet Union. This situation has fuelled rapid growth in the U.S. and to a lesser extent in Japan and Europe, at the cost of most of the developing world.

Multilateral institutions and donors essentially articulate the pressure of international capital. Despite some wavering in light of recent world financial crises, these agencies still have a clear agenda. They demand

- Cuts in tariffs by developing countries, often without matching reductions by industrialised economies;

- Strong copyright protection for multinational companies, which raises the cost of technology and medicine;
- Restrictive fiscal and monetary policies, with a slim state and privatisation of state-owned enterprise; and
- An end to exchange controls.

The deepening of globalisation has produced perverse social outcomes in both the developed and devel-

Box 3. Integration into the world economy after 1994

After 1989, the decline and end of apartheid opened the South African economy to new forms of international trade. South Africa has always depended on exports of gold and other commodities to fund imports of fuel, machinery and consumer goods. In the 1990s, government lowered tariffs and foreign companies showed new interest in South African markets, forcing substantial restructuring in manufacturing. At the same time, the stagnant gold price increased the pressure to find new sources of foreign-exchange earnings.

Foreign trade picked up rapidly after 1994, with total receipts on exports of goods and services growing twice as fast as in the previous four years. Exports grew by 30 per cent in real terms between 1994 and 1998. Imports grew even faster, but were still smaller in value than exports. Exports climbed to 26 per cent of the GDP, from a low of 18 per cent in the late 1980s. Even in 1998, when overall growth slowed, exports and imports grew by 2,5 per cent. The increase in exports occurred despite the gradual decline in gold earnings over the period, from 4,9 per cent to 3,5 per cent of the GDP.

Foreign investment grew substantially, but mostly took the form of short-term and therefore dangerously variable inflows. Moreover, investment abroad by South African companies increasingly offset capital inflows.

Net foreign investment (total capital inflows less capital outflows) contributed 17 per cent of gross fixed capital formation between 1994 and 1998. If we subtract net repatriation of earnings from foreign investment, the share of foreign capital falls even further, to 6 per cent of total fixed investment. Loans from other governments[1] constituted about a fifth of all foreign investment.

Three quarters of foreign investment in South Africa in 1994-'98 was in portfolio form – that is, non-controlling investment through the stock market and loans. These holdings could (and did) fluctuate greatly. In contrast, despite economic policies geared to attracting foreign capital, South Africa did not get much stable, direct foreign investment. Financial crises resulted in 1996 and 1998. In 1996, capital outflows and the consequent collapse of the rand led directly to the adoption of the GEAR in an attempt to reassure foreign investors.

1 That is, debt securities provided by public authorities.

oping countries. It has increased the wealth and power of industrialised countries and a few developing nations. But even in these countries inequalities and insecurity have deepened. Moreover, massive and unpredictable fluctuations in international capital flows leave all developing countries vulnerable to economic crises, as in 1996 and 1998. Most people in developing countries, and especially in Africa, are marginalised and impoverished.

As the social damage of the new world order has become increasingly obvious, resistance has grown from interests straddling different social strata around the world - organised workers, the landless, environmentalists and students. The conflicts around the World Trade Organisation meetings in Seattle in 1999 became a visible expression of this alliance in opposition to neoliberal orthodoxy. National battles, such COSATU's campaign against job losses, the Korean struggles against labour market reforms, and the fights by Brazilian and French workers, point to a broader struggle against the dominance of the global economy by capital.

What these struggles have lacked is a strong political centre. Most left-leaning parties have shifted to a market-oriented approach, and the union movement, although undoubtedly the best organised of the groups involved, does not globally have a programme to lead these struggles. The motley collection of formations seen in Seattle has not coalesced around a common platform. The relative weakness of the left internationally means there is no overall leadership to sustain the struggles of workers and other social groups. Without leadership and resources, these campaigns could either be co-opted, or become a constant and meaningless sideshow to the summits of global capitalism.

Within the international trade union movement, the ICFTU has emerged as the dominant confederation of trade unions. It has affiliates spread throughout the world, with Russian unions due to affiliate shortly. It has substantial resources, mostly from affiliates in developed countries. Despite some weaknesses, it can and should be used to campaign for restructuring the world economy. As a minimum, its campaign to globalise workers' rights is an important dimension in the struggle to transform the world economy. It must be backed by a sustainable programme of action that includes measures to reform the global financial architecture, extend workers' protection throughout the world, and so on.

Three groupings of countries – the southern African region, the Non-Aligned Movement and the G77 – could provide a platform for changing the rules of the world economy. These groups represent the common interests of developing nations in challenging the current form of globalisation. But again, these alliances are not uncontested. Some of the countries involved want to compete for foreign investment by suppressing labour rights, pay and conditions. The recent G77 Summit in Havana, for instance, rejected the inclusion of workers' rights and environmental protection in the world trading system. Because of this contestation, these forces could arrive at an unacceptable equilibrium. That would lead

to a race to the bottom, as each developing country competes for foreign investment. It is therefore important that South Africa to take the lead in ensuring that these groupings take a progressive role.

4.5 Organisational challenges facing COSATU

COSATU has emerged as the most organised and vocal social force in post-apartheid South Africa. The success of the recent stayaway demonstrates the ability to mobilise large sections of society. COSATU has a track record of articulating its members' interests within the broader context of the NDR. It has a depth of experience and leadership expertise, derived from its rich shop-steward tradition. Almost all our general secretaries started as shop stewards.

Like the other components of the Alliance, COSATU has had to operate under new conditions. It, too, must address the challenges arising from political and economic transformation. The critical challenges include:

- Changes in employment relations,
- Disagreements with government on policy,
- The impact of changes in economic structure of individual industries, and
- The potential for the emergence of careerism and opportunism within the trade union movement.

The downsizing of formal manufacturing, mining and government threatens COSATU's membership base. In addition, employers are trying to move workers into forms of employment that are more difficult to organise – informal, home-based, small-scale and/or casual labour.

In these circumstances, COSATU increasingly confronts the challenge of reaching non-unionised workers in agriculture, the informal and the domestic sectors, as well as in new forms of casual and contract labour, whites and skilled employees. Efforts to reach these workers require creative organisational strategies.

To deal with the restructuring of the economy, COSATU must both

- Intervene at government level to translate its mass power into policy victories, and
- Support members in individual industries and companies that are undergoing restructuring.

These challenges require both increased technical back-up, and ways to communicate difficult issues to members. Unions must develop progressive positions in response to management plans, which often requires technical expertise. Even then, leaders must make risky and difficult choices. Some agreements to adapt to changes or transform the state impose unavoidable sacrifices on members. For instance, the equalisation of education required the redeployment of 15 000 teachers, often at considerable personal cost. In these cases, reactionary forces attack COSATU leaders for agreeing to any change at all.

Meeting these challenges requires, first and foremost, the ability to organise and use mass power to back

up positions at both policy and enterprise level. Negotiations on policy, whether national or enterprise, will succeed only where labour can back up its policy proposals with its strength. COSATU must continue to combine labour power with the technical sophistication needed to find constructive measures to manage change. We cannot hope to achieve our ends by relying exclusively on political work within the Alliance, or by looking only to power. Rather, we must develop an appropriate combination of these tools.

Affiliates must meet the new challenges while maintaining the basic elements of union work – ensuring adequate services to workers and leadership accountability. Not all unions have reached the same level in fulfilling these goals.

In taking forward the NDR, COSATU must combine the Job Crisis Campaign and other actions with creative work within the Alliance to develop specific proposals for democratising the state and the economy. But work within the Alliance must not lead to short-run compromises on principle. Otherwise, we run the risk of misleading our Alliance partners on our positions, leading to greater conflict thereafter.

It is critical that all COSATU members play an active role in the ANC and the SACP. Only then can we ensure that, in practice, the working class leads the NDR.

At the same time, COSATU must guard against new forms of opportunism. If the labour movement is not vigilant, individuals may use it only as a stepping stone to careers in government and business.

5. An Alliance programme for transformation

COSATU remains firm in its commitment to the Alliance as the only social force able, in South Africa today, to carry forward transformation. This has been confirmed by a number of COSATU Congresses. But the Alliance must improve its operations in order to continue, not as a historical symbol, but as a structure that can drive a common programme.

5.1 Developing a programme for transformation

In 1997, COSATU's CEC adopted a proposal that the Alliance develop a programme to implement the RDP. It was raised again during the work around the Election Manifesto in 1999.

This proposal reflects the urgent need for a common understanding of the Alliance strategy for social transformation in the current context. It should ensure that the Alliance is at the centre of policy development and drives the agenda for change in a consistent manner.

The Alliance programme should provide a platform to mobilise a broad spectrum of progressive social forces under its leadership. The programme and mobilisation around it can play a significant role in reinvigorating the mass democratic movement and reconnect the ANC with the full range of progressive forces.

The programme should identify strategic areas and concrete measures to take us forward in areas such as

- Democratisation of the state and the role of the public sector,
- Economic development, especially aligning all economic policies to enhance job creation and bring about greater equality in incomes and wealth,
- The expansion of social services and social security, and
- The development of strategies to drive a progressive agenda internationally, including around the financial sector.

The programme should revolve around standing commissions of the Alliance that take forward specific areas of work. The commissions will develop Alliance approaches on policy questions and monitor their implementation by government and Alliance structures. They should have capacity to obtain research from appropriate experts both inside and outside of government.

To be effective, the programme must include a mechanism to translate Alliance agreements into government policies. That means reviewing the relationship between the ANC as a party and the government executive at national, provincial and local-government level. The presidency's strategic role should be defined as ensuring government departments implement ANC and Alliance programmes. This approach should ensure that bureaucrats and fiscal policy no longer drive national strategies. It should dilute the influence of capital over government as a whole.

COSATU must decide what levers it can use to ensure that the Alliance develops a common programme and mechanisms for its implementation. The Jobs Crisis Campaign may assist in this regard, since it helps focus the Alliance on the urgent need to address the issues facing working people.

2.2 *Building socialism*

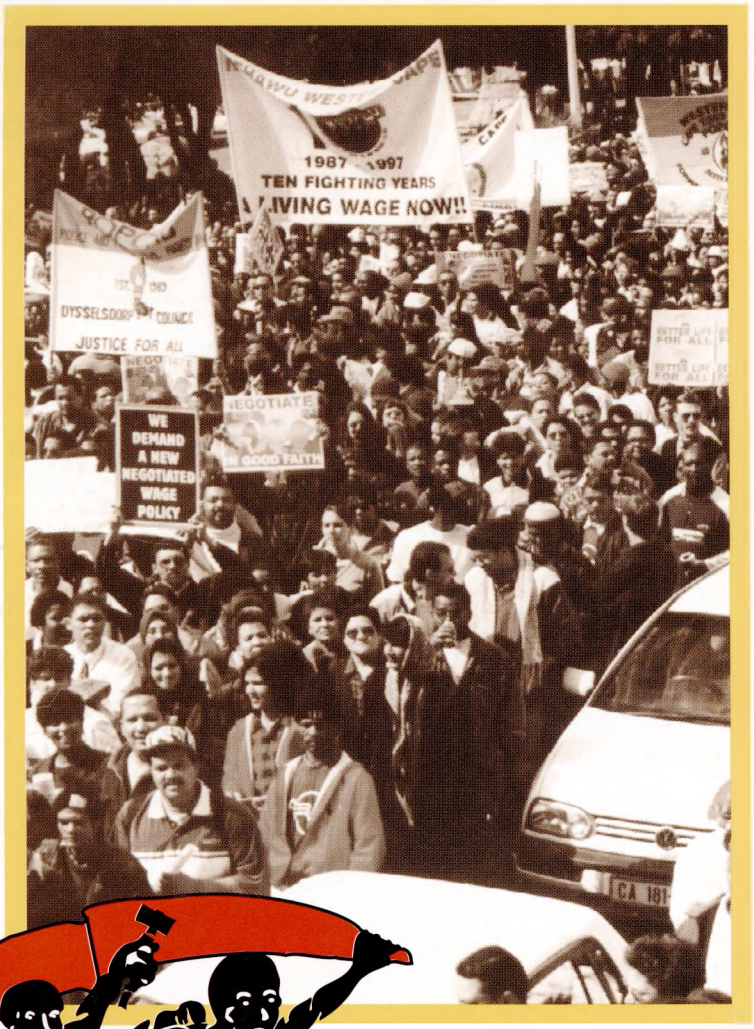
The crisis of capitalism cannot translate into gains for socialism without a conscious programme. The Socialist Commission has to be tasked with developing an analytical framework on the current situation and the prospects for socialism. Some of the questions include

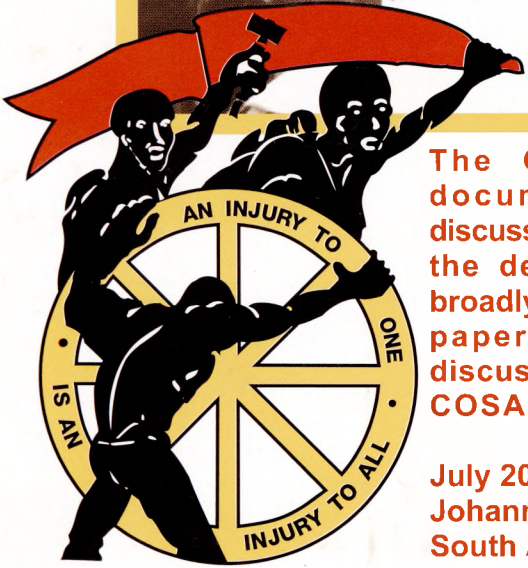
- The nature of socialism,
- Our collective assessment of the current political conjuncture and the prospects for socialism,
- The elements of a socialist strategy in the context of the NDR, and
- The implications for Alliance formations.

All these questions indicate that building socialism is a complex and difficult task. We must invest resources and energies to tackle it.

The CEC can play an important role in defining terms of reference and timeframes for the Socialist Commission. Ideally, the Commission should table a discussion document on this question at Congress.

NOTES





The CEC adopted this document to stimulate discussion within COSATU and the democratic movement broadly. For this purpose, this paper is released as a discussion document at the COSATU 7th CONGRESS.

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