

**COSATU Central Executive Committee:**

## **Final Political Report,**

**5-7 November 2002**

### **Table of Contents**

<p><b><u>1. Introduction</u></b></p> <p><b><u>2. The conditions facing the working class</u></b></p> <p><b><u>3. Defining a development strategy</u></b></p> <p>    <u>3.1 A framework for development</u></p> <p>    <u>3.2 Government's approach to date</u></p> <p>    <u>3.3 Cosatu's proposals</u></p> <p>    <u>3.4 Conclusions</u></p> <p><b><u>4. The development of capital since 1994</u></b></p> <p>    <u>4.1 Finance and mining capital</u></p> <p>    <u>4.2 Manufacturing</u></p> <p>    <u>4.3 Commercial agriculture</u></p> <p>    <u>4.4 Public sector</u></p> <p>    <u>4.5 Black capital</u></p> <p>    <u>4.6 Conclusions</u></p>	<p><b><u>5. Political Balance of Forces and COSATU's engagement strategy</u></b></p> <p>    <u>5.1 Opposition parties</u></p> <p>    <u>5.2 The State</u></p> <p>    <u>5.3 The Alliance</u></p> <p>    <u>5.4 Civil society</u></p> <p><b><u>6. Cosatu's engagement strategy</u></b></p> <p>    <u>6.1 Cosatu's policy engagement in 2002</u></p> <p>    <u>6.2 The role of progressive unions in a stable democracy</u></p> <p>    <u>6.3 Cosatu priorities for 2003</u></p>
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## **1 Introduction**

In the past year, COSATU has faced growing challenges. The year saw major political events - the Alliance Summit, the SACP Congress and the ANC's Policy Conference, the WSSD, the launch of the African Union and NEPAD - as well as our general strike and the resulting tensions within the Alliance. COSATU celebrates its 17th anniversary on the December 1, 2002. Amongst both friends and foes, there is consensus that COSATU is a factor in the continuing process of transformation of our country. After just 17 years, we have consolidated workers' power into a social force whose influence and power no one can ignore. As we celebrate these years of uninterrupted struggles by South African workers, we reflect on the challenges facing our class and the country from the perspective of the working class.

Workers have continued to make important advances, in particular in the area of social delivery and the transformation of labour market. August 1, 2002, saw the coming into effect of the new labour law amendments, which further consolidated the gains of the past eight years. This victory is particularly significant as it demonstrates how our strength sometimes enables us to grab victory out of the jaws of defeat.

But in the course of the year, workers also took some heavy economic blows. We have seen a persistent rise in unemployment combined with casualisation and outsourcing on a massive scale; soaring food prices; and a 4% increase in interest rates. Despite the social and political progress since 1994, ordinary workers face harsher economic conditions, mostly because of high joblessness.

Actions by capital remain the cause of most of these problems. Overall, the government has failed to intervene decisively to address the strategies of capital that worsen poverty, unemployment and inequalities. Eight years into our new democracy the primary contradiction in national terms is still between black and white; in class terms, between capital and the working class.

We reflected on these trends in the discussion document for the 7th Congress, Social Transformation in an Era of Globalisation, as well as in the secretariat report to the Central Committee in November 2001. The Congress Discussion Paper argued that the national democratic revolution (NDR), both before and after the transition to democracy, must seek to liberate black people in general and Africans in particular. To do that, because race, class and gender oppression are interlinked, it must address all three simultaneously. For the first time, the Congress document also described class formation within the black population. It noted that a significant number of black professionals have gained tremendously from post-apartheid South Africa. As a result, inequality amongst blacks is widening, leading to the possibility of divergent class interests.

This paper builds on COSATU's past work to analyse the challenges we face as a result of developments in the past year. It aims to deepen our understanding of socio-economic trends and assist us to assess political developments in the past year. This should guide our work in the run-up to our 8th Congress next year.

In particular, in light of the new challenges that have arisen in the past year, we need to reflect on our strategy and tactics. This leads to a number of questions.

- How should we define our central demands? On the one hand, they must reflect workers' needs and lay the basis for achieving our long-term aim of a more equitable, democratic and progressive society. On the other, we do not have the capacity to address every issue. To be effective, we need to ensure that we focus clearly on mobilising effectively around our core strategic demands, without neglecting issues which are of critical concern to our constituency.
- We need to reflect on the combination of power and engagement. Using power always annoys our negotiating partners. Government seems particularly angry about popular mobilisation, irrespective of the cause or source. Yet if we do not use power, politicians and bureaucrats routinely say they do not even have time to engage.
- We need to decide where engagements in the Alliance fit in. Do gains within the Alliance lead to changes in government policy? Do agreements with the ANC ultimately affect government decisions at all?
- We need to refine our approach to coalitions to take into account the diversity of civil society and our principled differences with some of its groupings.

In this paper, we first describe the socio-economic conditions facing the working class in more detail. We then analyse the balance of forces in terms of capital, opposition parties, the state and the democratic movement. On that basis, we review COSATU's strategy, especially in the past year, and reflect on the role of progressive unions in the current phase of our struggle. Finally, we point to some key questions for discussion, and propose central priorities for COSATU for the period between now and Congress.

## **2 The conditions facing the working class**

The 7th Congress and Central Committee documents argued that the NDR aimed to advance the social, political and economic interests of workers, women and black people. By extension, we must assess our progress in these terms.

The establishment of democracy brought a huge increase in political power, labour rights and social and economic opportunities for black people, including workers and women. It fundamentally improved conditions for the majority of our people. For the first time, the majority of our people enjoy the right to vote and the full range of human rights.

These gains were associated with a substantial improvement in pay and conditions for lower level African workers, especially in the first few years of democracy. Black and women workers benefited from laws banning discrimination and improving basic conditions of employment. They also gained much greater access to education and skills development.

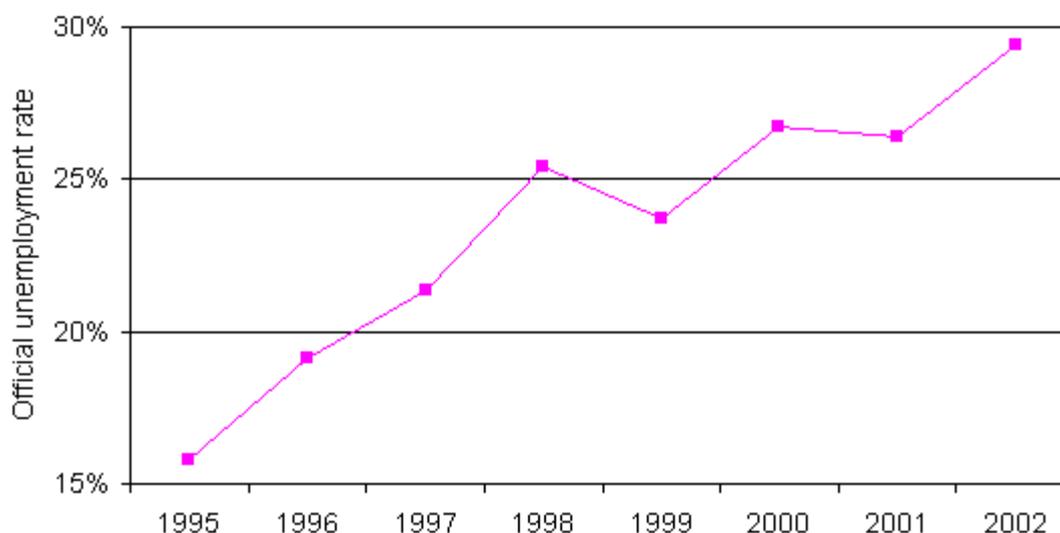
Workers also benefited from the extension of government services in African communities. This is particularly important for women, who still bear a disproportionate share of the burden of household labour.

For most South Africans, liberation brought huge political and social improvements. Democracy in itself empowers our people and gives them a wide array of opportunities and rights, including in the workplace. Moreover, the government has improved basic infrastructure and social services in black communities, which were long denied under apartheid.

But in economic terms, for many households the gains have been offset by rising unemployment and the resulting fall in incomes for poor households. Every African family now has some unemployed members. Unions have experienced at first hand the loss of members due to downsizing in manufacturing, mining and the public sector.

The official statistics point to a deepening problem. According to Statistics South Africa, joblessness rose from 16% of the labour force in 1995 to almost 30% today. That is far higher than any other middle-income country reporting to the ILO. During this period, the number of unemployed has risen from around two million to over four million.

#### **The official unemployment rate, 1995-2002<sup>a</sup>**



**Note:** a. The official definition of unemployment, used here, reports workers too discouraged to seek work as outside the labour force, rather than as unemployed. Source: Figures calculated from Statistics South Africa, *South Africa in Transition* (Pretoria: 2001) for 1995-1999, and from Statistics South Africa, *Labour Force Survey, February 2002* (Pretoria: 2002), p. iii.

Unemployment has hit hardest amongst African youth and rural people. For young people under 30 years old, the unemployment rate was 47% in 2001. (Statistics South Africa 2002a)

Slow growth and low investment have been associated with formal job losses and a decline in the quality of work. To the extent the economy has created jobs at all, they have been low-level, insecure and very poorly paid. Thus, the average income from work declined sharply between 1995 and 2001, as the following table shows.

### **Earnings by income category, 1995a and 2001**

**Note:** The cut off point of R1000 in nominal terms in real terms means a 45% lower income in 2001 than in 1995. R1000 in 2001 was worth only R690 in 1995 rand.

<b>Income category</b>	<b>Total, in thousands</b>		<b>% of total</b>	
	<b>1995</b>	<b>2001</b>	<b>1995</b>	<b>2001</b>
R0	28	326	0%	3%
R1-R999	3 653	3 932	35%	36%
Over 1000	6 619	6 575	64%	61%
<i>Total</i>	<i>10 300</i>	<i>10 833</i>	<i>100%</i>	<i>100%</i>

**Source:** For 1995, Statistics South Africa, October Household Survey, 1995, Table 2.3; Labour Force Survey September 2001, Table 3.10.

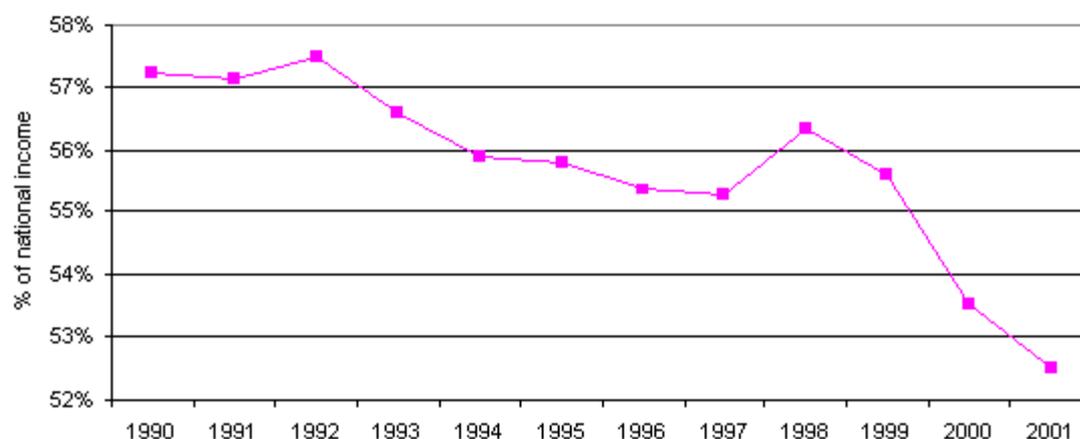
The results of rising unemployment and worsening work emerged graphically from a recent government report on incomes and expenditure - Earning and Spending in South Africa. (Statistics South Africa 2002b) According to this report, between 1995 and 2000,

- The share of the poorest 60% of households in the national income fell from 17% to 15%, with the biggest decline amongst the poorest households.
- The average African household income fell by 19%, to R26 000 a year
- Average white household incomes rose by 16%, to R158 000 a year

According to the official data, then, the vast majority of our people saw falling real incomes in 1995-2000, although a few enjoyed substantial improvements. Workers have managed to protect their real incomes, but have seen huge job losses. As a result of these trends, the inequalities left by apartheid have actually gotten worse.

These trends have been associated with a falling share for workers in the national income, while profits have increased. As the following chart shows, the share of wages and salaries in the national income declined sharply after 1998. This trend forms part of a long-term decline in labour's share in incomes since the early 1980s.

## The share of labour income in the national income, 1990-2001.



Source: Calculated from, Reserve Bank, long-term time series on national accounts, electronic database at [www.resbank.co.za](http://www.resbank.co.za)

In the past year, soaring food prices have added to the difficulties facing working-class households. The maize price doubled in the past year, and food prices overall rose over 20%. In contrast, the prices of other goods and services only increased by 10%. Because the poor spend more of their income on food, they faced a more rapid increase in the cost of living - 14,9% in the year to September. This increase far outstripped most wage agreements in 2001/2. Even before the food price hikes, over 20% of South African households went hungry, and 23% of children under seven years showed signs of stunting due to malnutrition.

To some extent, as Statistics South Africa emphasises, improved government infrastructure and services have offset the fall in incomes. Between 1995 and 2000, more households got formal housing, piped water and electricity for lighting. In addition, many more children are in school, access to public clinics and hospitals has improved substantially, and policing has been beefed up in black communities. But the share of households with flush toilets and electricity for cooking and heating actually declined.

### Access to services, 1995 and 2000

Service	Percentage of households with access to service		% change in access to service
	1995	2000	
Formal housing	66%	73%	7%
Electricity for			

• Lighting	64%	72%	6%
• Cooking	55%	54%	-1%
• Heating	54%	51%	-3%
Piped water	79%	84%	5%
Flush toilet	57%	56%	-1%

Source: Statistics South Africa, Earning and Spending in South Africa, 2002, Chapter 2, relevant tables.

While important, the improvements in government services do not offset the increased poverty resulting from soaring unemployment. Lower incomes also make it harder for households to pay for services. In many communities, tariffs for water, local phone calls, education fees and refuse removal rose faster than inflation. Government's current proposals for restructuring electricity and health seem likely to make this situation much worse. Meanwhile, the ANC's commitment to extending free basic services for all has not been implemented in most communities. Where it has been carried out, it has provided only extremely limited services to a small number of households.

This situation has already begun to undermine gains in extending infrastructure in black communities. Surveys show that over 10% of all households have experienced at least brief shut offs of water because they couldn't pay, and a similar share have had their electricity cut off. Many people have had their refuse removal halted, and some have even been evicted from their homes. (MacDonald 2002, p. 170) Telkom has cut some 80% of the new lines it extended in the past four years.

Slow economic growth is obviously one cause of rising unemployment and poverty. The main problem is low investment, which is far below the levels needed to ensure rapid economic growth. In this context, to survive increased international competition, business has not raised productivity, but instead has tried to improve productivity - and downsize employment. As a result, we have lost formal work and gained "jobs" that are in fact disguised unemployment - unproductive, poorly paid and highly insecure - the casualisation of labour.

As the following table shows, although South Africa still has a relatively high GDP per person, between 1995 and 2000 it lagged behind other middle-income developing countries in overall growth and, even more, in investment. The growth in GDP in real terms in this period was barely enough to maintain output per person. At 16,5% of GDP, investment was far below the rate needed for faster growth, which is at least 20% of GDP. Exports grew faster than the GDP, but still lagged other middle-income countries.

### Economic performance of selected countries, 1995-2000

	South Africa	Middle income countries	Of which:						
			Poland	Korea	Malaysia	Chile	Hungary	Turkey	Brazil
Income per capita in 2000 \$PPP1	9160	3660	9000	17300	4540	9100	11990	7030	7300
Average ratio, investment <sup>2</sup> to GDP	16.5	25.0	30.8	32.0	39.5	29.9	21.2	25.1	20.5
Average annual growth in:									
GDP	2.5	3.9	5.1	4.8	4.7	4.5	4.0	3.8	2.3
Exports	5.2	8.9	8.2	16.8	10.2	8.3	17.1	10.8	6.1
Exports: GDP, 2000 <sup>3</sup>	26.3	32.7	46.3	51.9	125.5	43.0	58.5	29.8	9.3

Source: Data kindly provided by Dr Simon Roberts of Wits University. Calculated from World Bank Global Development Indicators, via TIPS. Notes: 1. Income per capita is for 2000. 2. Growth fixed capital formation 3. Exports are measured in gross output terms, while GDP is based on value-added, hence Export: GDP ratios can exceed 100%, as for Malaysia.

As the following table shows, growth and investment initially rose quite rapidly after 1994, sank back in the late 1990s - when government cut its spending as well as trade tariffs - and recovered slightly in the early 2000s

### Average annual growth in GDP and investment, 1990-2001

	GDP	Total investment	Of which:		
			Government	Parastatals	Private
1990-1994	0.3%	-1.4%	-7.5%	14.4%	2.0%
1994-1997	3.4%	8.5%	15.1%	10.4%	7.8%
1997-1999	1.4%	-1.6%	-4.3%	3.4%	-2.5%
1999-2001	2.8%	1.8%	-3.9%	-12.5%	5.9%

Source: Calculated from, Reserve Bank, long-term time series on national accounts, electronic database at [www.resbank.co.za](http://www.resbank.co.za)

A rising net outflow of capital out of the country contributed to low investment. It occurred through both investment by South African companies and, increasingly, the repatriation of profits. The loss of profits soared from the late 1990s as some of the largest South African companies moved their headquarters abroad. In contrast, foreign investment into South Africa remained highly unstable, with a very large decline in 1999-2000. It seems that foreign investment into South Africa has not really recovered, although the figures are heavily distorted by the restructuring of Anglo American in 2001

**Foreign capital flows and investment, 1993-2001, in billions of rand**

<b>Year</b>	<b>Investment abroad by SA companies</b>	<b>Foreign investment into South Africa</b>	<b>Outflow of profits from South Africa</b>
1993	1,8	8,8	11,0
1994	5,7	13,2	12,1
1995	12,6	32,4	14,6
1996	15,6	29,0	18,0
1997	40,8	70,5	20,8
1998	42,8	60,1	24,5
1999	51,2	102,4	28,8
2000	28,5	28,8	37,4
2001	83,5 <sup>1</sup>	99,4 <sup>1</sup>	51,1

Note: 1. The figures on capital inflows and outflows for 2001 were heavily distorted by the restructuring of Anglo American. The available evidence for the start of 2002 suggests that foreign investment into and out of South Africa has in fact grown very little since 2000. Source: Reserve Bank, long-term data series on the balance of payments and national accounts, electronic database at [www.resbank.co.za](http://www.resbank.co.za)

In short, overall economic performance in recent years has been at best disappointing. The more relaxed fiscal policy of recent years has seen some improvement in growth, but investment remains far too low to bring about rising employment. At the same time, the opening of the economy has seen a decline in formal jobs, worse conditions for the employed, and rising overall unemployment.

These socio-economic developments have serious implications for workers' organisations. First, our private-sector and parastatal-based affiliates have generally seen stagnant or even declining membership since the late 1990s. The public-service unions grew rapidly between 1994 and 2000, but there is now little scope for further growth. Second, with rising unemployment and deepening poverty, organised workers face undercutting from desperate people, especially through outsourcing, casualisation and scab labour. We can only protect our gains in the workplace if overall poverty is relieved through better social protection and if the unemployment crisis is addressed.

This situation means:

- 1) Many individual unions face a financial squeeze as membership declines - a problem which then affects the Federation as unions fail to pay fees.
- 2) Unions have to find strategies to protect their members during restructuring at the level of employers and sectors as a whole.
- 3) To counteract job losses in our historic strongholds, we need to place much more emphasis on recruitment, especially in new, smaller enterprises and among informal and casual workers. But COSATU and its affiliates have not historically been structured to drive recruitment consistently, especially in these difficult areas.

The rest of this paper looks at factors that shape the crisis facing workers and unions. It first reviews the shortcomings in government economic policy, and how they have contributed to the current crisis. It then looks at factors leading to the current situation in terms of the nature of capital, the evolution of political forces and the state. Finally, it reviews COSATU's own engagement strategy.

### **3 Defining a development strategy**

The structure of the economy inherited from colonialism and apartheid means that an effective development strategy must be led by the state and geared to restructuring the economy to create jobs and end poverty. In contrast, in key areas of economic policy, government has aimed at freeing up markets and cutting the budget, in the context of a nearly exclusive emphasis on increasing exports.

We here first outline the RDP's proposals for a development strategy. We then contrast the actual approach adopted by the government, and finally present COSATU's main demands on economic policy.

#### **3.1 A framework for development**

In essence, the RDP argued that the state must intervene to enhance equality of wealth and incomes, which is a precondition for unblocking economic growth. In effect, the state must lead the restructuring of the economy in terms of production structure and ownership. To that end, it must co-ordinate economic and social policies.

Historically, colonialism and apartheid shaped South Africa's growth path. As a result:

- 1) The economy depended on mineral exports, which sustained import-substitution industrialisation. The focus on mining and refining limited the ability of the economy to create jobs, fostered inequality in incomes and wealth, and did little to reduce import dependence.
- 2) Companies targeted exports and the domestic high-income group, with little effort to supply the basic needs of the poor. Low wages for the majority of workers limited the domestic market.
- 3) Vast disparities emerged in economic, political and social terms between "homeland" areas and the "RSA."
- 4) Major inequalities in income and wealth emerged - far more than in most other middle-income countries. On the one hand, capital was dominated by financial and mining capital. Local capital was also strong in commercial agriculture, manufacturing and the parastatals. South Africa enjoyed very high levels of foreign investment compared to the rest of Africa, mostly indirectly in mining and directly - often in partnership with local firms - in manufacturing. Meanwhile, black workers were repressed, forced into migrant labour and denied qualifications. Black people, and Africans in particular, were denied access to capital, infrastructure and land as well as education.
- 5) The state supported this growth path by providing infrastructure for formal industry and white communities, maintaining high tariffs and, through the apartheid system, ensuring cheap labour.

This historic growth path began to fall apart from the mid-1980s. On the one hand, gold mining faced stagnant prices and rising costs. On the other, mass opposition led to a substantial capital flight. Then, after 1989, the rapid opening of the economy undermined local production in many areas, notably clothing and equipment, although it opened the door to exports for a few sectors - mostly arms and auto.

To deal with this situation requires a substantial restructuring of the economy - and by extension, of capital itself. In these conditions, the RDP strategy aimed to combine growth and redistribution by:

- 1) Increasing government spending on infrastructure and services for the poor. Higher productivity would result from improved education, health and security, as well as from the opportunities provided for home-based production by access to electricity and water. At the same time, the strategy would strengthen the domestic market for basic necessities, such as housing and food, providing a major stimulus to investment.
- 2) Implementing an industrial strategy that would restructure the economy so as to enhance employment as well as growth and investment. The strategy would have to promote labour-intensive

sectors. These sectors include agriculture and food processing as well as other light industry; projects up- and downstream from mining and petrochemicals; and public and private services.

- 3) Supporting new centres of capital, particularly through collective ownership, and enhancing the access of the majority to productive assets and skills. Potential new centres of economic power include the parastatals as well as producer co-ops and small and micro enterprise. The RDP saw land reform as one critical way to increase the productive assets of the rural poor.
- 4) Consistently strengthening democracy in both the state and the economy. Only structures that empower the Alliance constituencies can stop the dominant centres of capital from blocking efforts to restructure the economy.

### **3.2 Government's approach to date**

Government's policy in response to the crisis has been contradictory. We can define four key elements:

- 1) A commitment to alleviating poverty by redirecting government spending on basic services toward the poor.
- 2) The introduction of new laws to ensure labour rights and skills development, effectively tearing down one of the main pillars of apartheid.
- 3) Especially in 1996-'99, highly restrictive fiscal policies, which led to substantial real cuts in expenditure, so that overall government spending fell by about 10% per person. These policies have been somewhat relaxed in the past two years. Projections suggest that by around 2005 we will return to the level of spending per person last seen in 1996.
- 4) Programmes that free up markets in many areas, notably by cutting tariffs, and deregulation. This policy thrust was also associated with the restructuring state assets primarily through commercialisation and by bringing in foreign shareholders and/or private competition for the main parastatals.

Clearly, these strategies are highly contradictory. In particular, the commitment to improving services for the poor has been hamstrung by budget cuts and the commercialisation of the parastatals. Taken as a package, the government approach has failed to ensure rapid growth or generate employment.

A major shortcoming in the government's approach is its reliance on "competition" - which necessarily means markets - to drive growth. Yet the business has little immediate incentive to address the deep-seated structural problems that undermine investment and growth.

The argument for competition starts with the assumption that markets force producers to minimise costs and meet consumer needs. Government interference - through tariffs, price controls, parastatals, even taxes - stalls this mechanism, lowering productivity and growth. In the same vein, where resources are allocated through non-market mechanisms, for instance in the public sector or through collective ownership of land, there is no pressure to ensure efficiency.

But the market mechanism won't work in South Africa. Specifically, we face four interlinked market imperfections.

- South Africa has unusually high levels of inequality, which have been aggravated by rising unemployment. In these circumstances, poor people cannot afford to pay the full cost of basic services, so producers will not supply them.
- In effect, then, producers cannot realise the longer-term developmental benefits of extending services to the poor, which appear in both social upliftment and an enhanced ability to engage in the economy. There will thus be systematic underprovision of basic goods and services from the standpoint of national requirements.
- Key markets are highly concentrated, including finance, mining, most manufacturing industries and maize storage and trading.
- Poor information, with the dominant groups of capital focusing exclusively on serving export markets, large-scale enterprise and the high-income group.

In these circumstances, free markets are unlikely to bring about broad-based development. The experience with cut offs of basic services, soaring maize prices and the continued narrow basis of the financial sector points to the consequences. A particular concern arises over the restructuring of the parastatals, which is described in greater detail below. The overall picture has been one of undermining the control of the democratic state, job losses, rising prices and worsening service provision, particularly for working people and the poor. (COSATU 2002).

Increasingly, proponents of market-driven strategies argue that the international balance of forces leaves no other choice. That argument, however, ignores both the experience of other countries and the fact that international capital does not dictate the details of policy. Even in a unipolar world, there is considerable scope for regulation of markets and a more realistic fiscal strategy.

The possibility for more active intervention has clearly emerged in South Africa. Where the Alliance has taken a unified position, as with the Mining Development Act and the Financial Sector Summit, local business has agreed to transformative measures.

In any case, capital is not likely to increase investment sufficiently unless more developmental measures are in place. The experience of South Africa, like many other countries, suggests that neither local nor foreign business will invest heavily in the context of mass unemployment and poverty as well as slow growth. High levels of investment have occurred almost exclusively in countries that

accelerated development through decisive state interventions to equalise incomes and wealth and restructure the economy - even though business spokespeople have never welcomed these measures.

In short, the crisis-ridden state of the South African economy requires a proactive, state-led strategy that can overcome the distortions left by apartheid, addressing poverty directly as part of a coherent economic and social development strategy. A critical element is to broaden the base of ownership together with a shift to meeting basic needs in ways that will generate decent work for all our people. This does not mean that the state will replace private capital, but rather that it will drive the restructuring of the economy to benefit all our people.

### **3.3 COSATU's proposals**

We here outline COSATU's proposals in key areas of economic policy, which see to carry out the basic tenets of the RDP.

Economic growth and development require strategies for industry and agriculture that will explicitly address the structural problems left by apartheid. That means they must focus on addressing poverty and enhancing employment, although of course support for export industries should continue. Key components of this type of structure include

- Greater emphasis on producing basic necessities for the poor, with closer integration between economic programmes and social measures for the poor
- Support for new centres of capital - especially co-ops and the state sector, as the main forms of collective ownership - as well as small and micro enterprise
- In this context, support for relatively labour-intensive activities that can create jobs on a larger scale.

Sector summits are critical for mobilising stakeholders around strategies to achieve these aims. But the government (and the ANC) must give leadership based on a strong developmental vision.

The parastatals should prove a powerful instrument in restructuring the economy along these lines. They should be made more clearly accountable through the development of more open and consultative management structures in the context of well-defined developmental mandates backed by clear targets. This would require stronger, not weaker, government control and direction.

In terms of fiscal policy, COSATU argues that cuts in the budget in the late 1990s were a significant cause of slow growth. Government adopted a more expansionary stance after 2000, but it must be strengthened if we are to drive development effectively. Of course, no one supports spending on a scale that risks unsustainable debt. The question is rather what constitutes a sustainable range. In fact, by world standards, both our deficit and taxes are low relative to GDP.

A moderate increase in taxes and borrowing - say, by 1% each relative to GDP - would considerably expand the budget. If government spends the funds in ways that reduce unemployment and stimulate growth, taxes and borrowing would ultimately fall again relative to GDP.

On monetary policy, COSATU is very concerned that the practice of enforcing inflation targets through interest rate increases has proven extremely damaging to growth and employment, without controlling inflation. The main cause of inflation is the rapid, speculative increase in food prices since November 2001. Raising interest rates in this context is likely to cause further economic stagnation without controlling inflation. More generally, the whole policy of inflation targeting tends to prioritise fighting inflation over other social aims, and should be reviewed.

Finally, in the past few months, accelerated inflation in food, including maize, meat and dairy, has become a major cause for concern. As noted above, deregulation in the context of concentrated ownership has permitted speculation, especially in maize, our staple food. In these circumstances, the food-price monitoring committee proposed by Cabinet must adequately represent working people and the poor in general, and have effective tools to fight profiteering.

### **3.4 Conclusion**

While government economic policy has brought some real benefits to working people, it has been hamstrung by a combination of tight fiscal policies and over-reliance on markets to bring about growth and development. To understand the persistence of these policies, the next section explores both the economic context, and in particular the nature and development of capital. The final part of the paper then locates the political balance of power in our understanding of the national and class forces.

## **4 The development of capital since 1994**

The ANC's 1969 Strategy and Tactics asserts:

"In our country - more than any other part of the oppressed world - it is inconceivable for liberation to have meaning with a return of wealth and 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."

Since 1994, however, there has been no fundamental change in the structure of ownership and control in the country. The commanding heights of the economy - the formal sector, centred on mining, finance, manufacturing and commercial agriculture - remain in the hands of large, predominantly white companies. Small and micro enterprise, and co-operatives, remains marginalised. Only in the parastatals have black people asserted real control. At the same time, however,

state-owned enterprises have been increasingly subjected to market forces rather than pressure to serve working people and transform the economy.

This situation means that big capital still has great power. It uses the threat of an even deeper capital strike - through mass capital outflows, leading to devaluation, inflation and further job losses - to counter moves toward more progressive economic strategies. To understand this power, we here review the development of the main fractions of capital since 1994.

#### **4.1 Finance and mining capital**

Historically, gold mining and the associated big banks formed the core of the South African economy. Since 1994, these companies have maintained their power. A few companies, dominated by Anglo American, still control the lion's share of the private formal sector.

After 1989, these companies took advantage of the opening of the economy to reintegrate with international capital. Some of the biggest companies - including Anglo American - now have their primary share listing in London. Virtually all are rapidly extending their investments abroad.

Within South Africa, the mining companies have expanded platinum production as gold declines. The value of platinum output is now higher than that of gold, although the sector employs many fewer workers.

Ultimately, these companies view themselves as part of world mining and finance capital, rather than primarily as South African. Faced with downsizing in gold mining combined with economic stagnation and political and social uncertainty at home, they have increasingly sought investment opportunities overseas. This in turn weakens the capacity of the South African economy by draining it of capital.

#### **4.2 Manufacturing**

Historically, foreign companies and Anglo American dominated manufacturing, with strong state involvement in heavy industry, especially steel (Isacor) and heavy chemicals (Sasol). Manufacturing was largely oriented toward production of relative luxuries for the high-income group (including consumer durables like cars and electric equipment) plus minerals and petroleum refineries. Capital goods production focused almost exclusively on chemicals and machinery for the mines.

With the deepening isolation of the apartheid economy in the 1980s, foreign companies often withdrew from direct ownership of South African affiliates, maintaining control through licenses and provision of inputs. At the same time, the apartheid government mobilised investment in steel and aluminium refineries, to increase export earnings, and, for strategic reasons, in petroleum refining and armaments. This strategy substantially increased capital intensity.

With the transition to democracy, starting in 1989, South African manufacturing capital was increasingly exposed to competition and investment. From 1994, the accession to GATT (later the WTO) intensified competition by deep cuts in tariffs. In clothing and electrical equipment, at least, the government reduced protection even more than the WTO required. This led to substantial job losses after 1997. Moreover, customs inspection proved weak and large-scale imports simply avoided tariffs, again especially in clothing and equipment.

Given a stagnant domestic market because of deepening poverty and inequality, foreign investment has tended to displace domestic producers, rather than adding to output. This has weakened local manufacturing capital. Moreover, where multinationals reintegrated local producers, they have sometimes closed down South African production in favour of exports from other subsidiaries. This has happened, for instance, in dairy, pharmaceuticals and equipment production.

At the same time, government provided strong support for exports, for example through incentives, provision of infrastructure and the establishment of sectoral export councils. It did virtually nothing, however, to help out industries producing for the domestic market. The Coega project exemplifies government's approach: it dedicates huge sums to stimulating minerals refining solely for export.

In these circumstances, there has been an increase in manufactured exports, but refined minerals continue to account for around a third of manufacturing exports. In other major sectors, only the auto and, to a much lesser extent, clothing and chemicals saw a substantial increase in foreign sales.

In the case of auto, the export boom apparently arose primarily from the international strategies of the German producers. By extension, contrary to government expectations, the auto experience is not likely to be duplicated in other industries.

As the following table indicates, the net result of these trends was a rapid increase in exports by a few sectors, combined with job losses in virtually every industry. In effect, the opening of the economy did lead to higher productivity - but given stagnant domestic markets and the need to upgrade technology to compete with foreign interests, the result was job losses, deepening inequality, and increased foreign control.

**Trends in manufacturing exports and employment, 1996-2001 (a)**

Year	employ- ment, 2000	% of manu- - factur- ing jobs, 2000 <sup>b</sup>	% of exports in given sectors, 2001	% average annual change in:		
				employ- ment, 1996- 2000	output, 1996- 2001	exports <sup>c</sup> 1996- 2001
Food	159 000	12%	6%	-4%	0%	1%
Wearing Apparel	134 000	10%	2%	-2%	-1%	10%
Chemicals	102 000	7%	15%	-3%	23%	-1%
Wood & wood products	81 000	6%	3%	5%	6%	10%
Motor vehicle, parts & accessories	76 000	6%	18%	-2%	6%	29%
Plastic products	62 000	5%	3%	7%	4%	4%
Textiles	56 000	4%	3%	-8%	-2%	-5%
Paper & paper products	44 000	3%	7%	-2%	4%	4%
Basic iron & steel	36 000	3%	22%	-12%	2%	2%
Non-metallic minerals	35 000	3%	1%	-15%	-5%	0%
Beverages	28 000	2%	4%	-3%	1%	6%
Footwear	15 000	1%	0%	-11%	-8%	-14%
Rubber products	15 000	1%	1%	-4%	2%	6%
Basic non- ferrous metals	13 000	1%	10%	-6%	0%	1%
Leather & leather products	10 000	1%	2%	7%	9%	-4%

Other transport equipment	9 000	1%	2%	-10%	-2%	20%
Tobacco	2 000	0%	1%	-6%	-1%	22%

Notes: a. The figures relate only to selected sectors. b. % of all manufacturing jobs, not only those given here. The sectors here account for 57% of total manufacturing. c. In nominal U.S. dollars. Source: TIPS Easydata, electronic dataset, [www.tips.co.za](http://www.tips.co.za)

Government argued that employment creation required support for small and micro enterprise. The risk here is that, given stagnant demand, decent work in larger companies will be replaced through outsourcing to small enterprise. But measures to support small enterprise have not been very successful. Indeed, as long as relatively capital-intensive, large-scale sectors like mining and auto dominate the economy, there is little scope for a vibrant small-scale sector.

In sum, the growth in outputs and exports in manufacturing was associated with deepening inequalities because:

- It saw substantial job losses
- It saw a massive growth of casualised labour through outsourcing and subcontracting
- It was not geared to meeting the needs of the poor, since their falling incomes make them a weak market
- It did not succeed in growing small and micro enterprise substantially; and what growth emerged took place largely by replacing decent work for larger employers
- It went hand in hand with growing domination by foreign multinationals, both through direct ownership and their control of international markets.

### **4.3 Commercial agriculture**

Under apartheid, agriculture was highly regulated, largely as a way to maintain Afrikaner support for the National Party. The state ensured near-slave labours for white farmers, who also enjoyed substantial subsidies, largely through the Land Bank. In the 1980s, the state encouraged mechanisation and the extension of maize production in relatively dry regions in the North West, Transvaal and Free State. Agricultural boards and co-ops stabilised prices, production - and farmers' profits.

After 1994, the democratic government rapidly unravelled most kinds of government support and regulation of agriculture, while improving farm workers' rights. In response, large farmers bought up co-op facilities, while smaller ones went bankrupt. Investment in agriculture dropped 17% between 1994 and 2001, but production remained essentially stable. The sector lost huge numbers of jobs.

These developments point to rising concentration of ownership and production. In maize, for instance, just three companies now control 72% of all grain storage facilities. After a few years of restrained price increases following the dissolution of the agricultural boards, the resulting growth in market power laid the basis for the massive speculative increase in food prices in 2002. At the same time, despite some improvements, the majority of agricultural workers remain unorganised and exploited.

#### **4.4 Public sector**

The big state-owned enterprise and the IDC have historically played a central role in "crowding in" private investment by providing infrastructure; leading development of the steel and petrochemicals industries; and packaging capital for large projects. In the early '80s, parastatals accounted for around half of all investment. Historically, they also acted as a key source of protected employment for less skilled white workers.

Starting in the 1980s, the apartheid state began to commercialise and privatise the parastatals. It relinquished control of Iscor and Sasol, and commercialised the main infrastructure companies - Transnet, Eskom and Telkom. Massive job losses resulted. Meanwhile, as lower level white workers became scarce, the parastatals slashed their apprenticeship programmes, which had been critical for skills development.

Since 1994, government has gradually weakened the parastatals' ability to restructure the economy. In particular:

- The provinces generally closed down most of the development parastatals in the former homelands, which had concentrated on agricultural projects. This had a devastating impact on their communities. An exception is Limpopo Province, which has, after years of contestation with COSATU, finally agreed to rebuild the provincial parastatals.
- Government consolidated the commercialisation of Telkom, Transnet and Eskom, and sought where possible to end their monopoly position as providers of basic infrastructure. It has partially privatised Telkom and parts of Transnet, and plans to privatise 30% of Eskom. These measures effectively reduce the parastatals' ability to serve the poor, since they cannot cross subsidise low-income households if they have to maximise their profits. As noted above, one result has been large-scale cut offs of poor households. These measures have also led to massive job shedding.
- At the same time, the government has promoted black management at senior levels. In effect, the state-owned enterprises have become the only

black-controlled large-scale producers in the country. Nonetheless, the new managers often seem intent of making parastatals more like private companies than agents of the state. Thus, management at both Telkom and Spoornet have refused to honour agreements reached with government under the NFA.

A major concern remains the tendency for government to leap into restructuring without any real analysis of the implications for our developmental aims. This was shown clearly in the case of Spoornet. When, at the insistence of organised labour, research was finally conducted into government's proposals, they turned out to be financially and economically unsustainable. In contrast, in protracted negotiations on electricity, we have yet to receive a clear analysis of the effects on poverty, growth and employment of proposals to privatise a substantial share of generation.

#### **4.5 Black capital**

As the outline of developments around capital indicates, except for the parastatals, the dominant sectors still do not provide opportunities for black capital. As COSATU's 7th Congress discussion document points out, the share of black ownership in the formal private sector remains tiny and has apparently shrunk since the late 1990s. At the same time, relatively educated black people - many of them former activists - have benefited greatly from the new opportunities available with democracy. This black upper class comprises:

- Leaders and managers in the public sector, including the national and provincial public service, local government and the parastatals
- Senior black management in the dominant private companies. While this group has grown rapidly in the past eight years, it remains relatively small and concentrated in public relations and personnel.
- Various independent entrepreneurs, especially in the financial sector, many of whom have taken advantage of our own investment companies.
- Black professionals in the media, academia and other occupations.

The new black upper class has very contradictory perspectives on transformation. On the one hand, many would support more transformatory moves. They are frustrated because they do not have any clear avenues to contribute to development. On the other hand, some people in this group, both in the state and the private sector, have become closely allied to the existing centres of power. Rather than aiming to broaden ownership and control overall, they want to increase their own individual share. This latter group sees worker militancy as a threat to its social and economic position thus has become hostile to workers and their movements.

In these circumstances, the government faces increasing pressure to provide stronger routes to advance black capital. To do this, it has three main instruments.

- 1) The senior levels of the state bureaucracy pay more than many officials could earn elsewhere. In the longer run, these positions give access to senior jobs in private companies.
- 2) Government can bias regulation and government procurement to promote black interests. Although it has taken some steps in this direction, black companies still complain that procurement favours established white companies.
- 3) Government can also sell state assets relatively cheaply to black buyers, and outsource its activities to private black providers.

All these forms of support for black capital have become increasingly prominent. In fact, government now gives support for black capital as a central justification for privatisation.

At the same time, government has not moved strongly to broaden ownership overall, rather than simply changing the complexion of the existing formal sector. Broadening ownership would require, for instance, support for state enterprise, small and micro enterprise, land reform and the co-op movement.

In these circumstances, government departments have largely reduced "black economic empowerment" to support for black capital, without challenging overall inequality and concentration. This runs contrary to the ANC's explicit policy. For instance, in September 2002, the ANC's recent Policy Conference resolved,

"BEE is defined in its broadest sense as an integrated and coherent socio-economic process located in the context of the RDP. Its benefits must be shared across society and impact as widely as possible.

"The indicators for success are overall equity in incomes, wealth, increasing levels of black participation - including black women and youth - in ownership, the extent to which there is operational participation and control of the economy and the extent to which there has been transfer and possession of skills and a retention of assets by the BEE beneficiaries." (ANC 2002, resolution on BEE)

## **4.6 Conclusions**

A few large companies still dominate the economy, based largely in mining and finance and, to a lesser degree, in manufacturing. Developments in these sectors in the past seven years have been associated with stagnant investment, job losses and deepening dependence on foreign capital. Black enterprise has managed to get a foot in the door almost only where they can get state backing. At the same time, the scope for government intervention has been lessened by the emigration of some key companies abroad combined with the growing influence of foreign companies in manufacturing.

This analysis of capital explains the failure of government's economic strategies to bring about higher growth and investment. Market-oriented strategies require dynamic, innovative and competitive capital - not the conservative, narrow and internationally-oriented structures inherited from the old South Africa.

Our understanding of the nature of capital must also inform on COSATU's interactions with business.

On the one hand, an enlightened group exists among the representatives of big business, which recognises that the current trajectory of rising joblessness and poverty is simply unsustainable. They can see that the crisis will destroy their communities and prospects as well. This group is relatively small, but powerful and quite well organised. It is prepared to agree to serious reform measures, for instance at NEDLAC, the financial sector summit and in the Millennium Labour Council (MLC).

On the other hand, large sectors of capital are still taking a highly short-sighted approach. This emerges in capital flight, speculation in food prices, and the failure to co-operate with the national skills development strategy, amongst others. Often, these less enlightened groupings simply do not talk to labour (or even government) at all.

Meanwhile, the role of the state in backing black entrepreneurs has important implications for class formation. It has greatly increased inequalities within the black community. More important, it creates to a conflict of interest between those who want to use the state to profit themselves and their allies, and the majority of poor communities who would prefer affordable services and job creation. This situation has begun to eat into the broad coalition of the oppressed that historically underpinned the MDM.

In this context, COSATU has not been sufficiently active in building alliances with black business around our common interest in a more equitable and dynamic economy. Specific areas for closer collaboration include the restructuring of the financial sector and mining, development of production of generic medicines, and trade policy.

More broadly, we need to re-assert the hegemony of the liberation movement, which ensured that black business defined its interests, not as short-term gains at the cost of workers (for instance through privatisation and outsourcing), but rather as the overall development of our people. With the economy firmly in the hands of whites and dominated by the mining and finance complex, the challenge is to ensure that the voice of black business does not get drowned in new talk of unity.

## **5 The Political Balance of Forces and COSATU's engagement strategy**

We here review developments among the opposition parties, the state itself, the Alliance and the democratic movement as a whole. These shifts must inform COSATU's overall engagement strategy, which is analysed in the final section.

Overall, the analysis reflects complex challenges facing COSATU and the liberation movement as whole. It reflects briefly on the state of the opposition parties following a detailed analysis (above) of the power of capital. It discusses the state of the alliance and points out that the key challenge we face is the inability of the alliance leadership to take forward agreed to processes and to

prioritise the alliance. It then summarises the key priorities for COSATU between now and the 8th National Congress.

## **5.1 Opposition parties**

The opposition parties do not currently wield any real influence, although the NNP may gain a greater say in policy through its coalition with the ANC. Clearly, its role in the coalition is contested within the ANC itself.

### **5.1.1 The DA, the NNP and the ultra-right**

The DA, the main opposition party, remains the party of capital. Its platform is therefore entirely incapable of achieving majority support.

Since the DA has no prospect of winning a majority, it is unable to maintain a base of support from big business. It relies instead on disaffected middle-class white and Indian and Coloured groupings, which regrettably includes huge parts of the working class. As the 7th National Congress paper points out, the DP and now the DA has effectively replaced the NNP as the chief representative and spokesperson of the most backward elements in our society. It has played on the fears of these groupings whilst mouthing pro-capital solutions to the problems faced by our country.

This situation underlies the shift of power from the DA to the NNP in the middle of 2002. For many whites and much of business, the NNP's alliance with the ANC makes it a more useful instrument for influencing government policy. For COSATU, a critical question has become whether the ANC will feel that, in light of the NNP's increased power, it must make additional concessions. These concessions could take the form of policy changes and the offer of more positions in government. The risk is that they would strengthen the conservatives in government. The proposed creation of a joint policy forum amplifies the danger of this. Still, COSATU must support any effort, including co-operation between the ANC and the NNP that undermines the more reactionary forces in the opposition like the DA.

The weakness of the NNP and the DP has to some extent opened the door to terrorist, Afrikaner national groups. These groups have no political perspective, making their actions unpredictable. They have proven their ability to maintain low-level sabotage, based on a combination of support by some white farmers and military skills. Still, given their political isolation even amongst the majority of the white population, it seems inconceivable that they will be able to undertake the ambitious and wholly unrealistic programmes that they adopt.

### **5.1.2 Black opposition parties**

The predominantly black parties - the IFP, the PAC, the UDM, the ACDP and some even smaller parties - have no clear programme except to gain power. As a result, they have been unable to mobilise broad support. In recent months, we have seen an attempt by the factions of the PAC, AZAPO, SOPA and the UDM - to form a coalition. In the absence of a clear programme

beyond opposition to the ANC, however, this process also seems unlikely to succeed.

### **5.1.3 Issues for COSATU**

Virtually all the political parties hope to use COSATU to gain access to workers' votes. They opportunistically (and embarrassingly) declare support for some of our demands, although they still oppose our overall strategy for social and economic transformation.

COSATU should relate to opposition parties on the basis that we are prepared to discuss the issues with anyone. Still, there is no prospect of working consistently with any of opposition political parties, because our ultimate goals and strategies are fundamentally divergent.

## **5.2 The State**

We here define the state as the elected leadership - the "government" - plus the state's officials and other resources: the departments at local, provincial and national level; autonomous institutions like the judiciary and regulatory bodies; and the security forces.

The transition to democracy was supposed to place all these resources at the service of development. The question thus becomes why the state has not been able to address unemployment and poverty more vigorously.

For COSATU, more specifically, the challenge is to explain why the state has adopted highly contradictory policies, which diverge substantially from the ANC's platforms as expressed by the RDP and election manifestos. As discussed above, on the one hand the state established a number of strongly redistributive programmes. On the other, particularly after the adoption of the GEAR in 1996, it increasingly looked to free markets and competition to grow the economy, and cut back on its own spending and economic power.

To stimulate debate, we here present the explanation government gives for its relatively moderate economic policies, and contrast it with COSATU's analysis. We then briefly consider the experience of post-colonial states in the rest of Africa.

### **5.2.1 Government and COSATU's views on the balance of power**

Government representatives argue that they face tight limits on their actions because of two factors.

First, domestic and, even more, international capital demands that government restrain spending, avoid inflation, open the economy to international competition and financial flows, and generally secure property rights. If government ignores these demands, they say, the result will be massive capital flight, which will wreck the economy.

Second, inherited state structures have proven hard to redirect. They were established to serve the rich and powerful; making them responsive to poor communities requires fundamental redesign.

In short, in this view government can only pursue pro-poor policies within the narrow constraints set by the realities of power and its own limited capacity. Within those constraints, government leaders argue that it has used its power as far as possible:

- To improve government services for the poor, and
- To support increased exports as the economy was opened to international competition. In this view, some job losses and plant closures were unavoidable, but the worst is over. South Africa now has a more competitive economy that will in the next few years start to create jobs and thus enhance equality.

COSATU agrees with government that capital has great power. Certainly capital will oppose any effort to restructure the economy and improve social protection for the poor. But COSATU also argues that, nonetheless, more developmental measures are possible gradually to increase the economic power and well-being of the majority. After all, many other developing countries have done far more to restructure the economy and improve social protection, essentially adopting a left social-democratic approach.

COSATU argues that this approach is viable only if there is

- Mass mobilisation of the Alliance's constituencies - organised workers, the unemployed and rural poor, black professionals and black capital - to counter the power of the historic centres of capital, and
- A clear strategic perspective and a well-thought-out process for engaging with capital.

Critically, achieving this strategy requires that the state itself be transformed to make it more responsive to the needs of the poor. Historically, government departments and agencies were designed to listen to the rich and powerful in shaping policy. Unless the policy process is changed to ensure inputs from the majority, that bias will persist.

So far, various institutions and processes - the establishment of democracy, the installation of black officials in government, especially in senior management, Alliance processes and NEDLAC - have helped reform policy around the social services. But economic policy still remains largely insulated from influence by the ANC's mass constituencies. Key steps to overcome this situation include strengthening the role of the Alliance in setting basic strategies, and empowering the organisations of workers and the poor in policy debates and monitoring.

In short, differences between COSATU and government over economic policy can also be understood in terms of a divergent understanding of the balance of power. Government representatives tend to argue that it has only very limited scope for increasing expenditure and restructuring the economy. In contrast, COSATU argues that mobilisation of the working class and its allies can provide the basis for a stronger transformatory strategy.

### **5.2.2 The post-colonial state in Africa**

This section briefly outlines the experience of the post-colonial state in Africa. Obviously, South Africa is very different from other countries. Still, a review of the experience of the rest of Africa, although very condensed, may suggest useful insights about the imperatives for transformation.

All African states inherited structures designed to serve the colonial power and, in some cases, white settlers. All of the new ruling parties that took power at independence recognised this shortcoming. In response, they all worked to restructure state services in order to meet the needs of the majority. Yet virtually none of the independence parties had a policy to restructure the economy systematically to reduce dependence on a few exports and ensure more equitable ownership.

In these circumstances, foreign domination of African economies continued, limiting the growth of domestic private capital. African entrepreneurs remained marginalised, often just fronting for foreign capital. They largely relied on the state to provide an opening. This situation fuelled corruption, which effectively acted as a form of primitive accumulation for the African bourgeoisie. It also led to pressure to use state power to support local capital, usually through government procurement policies and the requirement that foreign firms take on local partners.

In these circumstances, individuals increasingly used their position in the state bureaucracy - not just in parastatals - to cement their power rather than serve the public. They gained not only a high income (legally or through corruption), but also control of social capital. This emergent class has been termed a bureaucratic bourgeoisie. As a result of these developments, most African states increasingly lost the capacity and the will to serve the majority of their people.

The failure to restructure the economy had another negative effect: the continued dependence on a few raw-materials exports. When the prices of these exports fell (for instance, with cocoa in Ghana and sisal in Tanzania in the 1960s, and copper in Zambia and Zaire in the '70s), African states faced a dramatic fall in revenues, and many went far into debt.

Faced with economic crises in the 1980s and '90s, the bureaucratic bourgeoisie protected its position as far as possible, while cutting services to the majority. Generally, it blamed foreign multilateral agencies for its failure to protect the poor.

In fact, given the demobilisation of the population in most countries, these governments had very little basis for resisting IMF and World Bank demands to cut budgets and free up markets. Local capital and the state itself increasingly allied itself with foreign interests, while developmental efforts withered for lack of funds.

### **5.3 The Alliance**

This section analyses the debates in the Alliance, which has seen continued tensions in the past year. We include a separate section analysing the claim that COSATU has become part of an "ultra left" that aims to overthrow the democratic state.

### **5.3.1 Developments in the Alliance**

COSATU expected the Ekurhuleni Declaration in March to provide a basis for settling policy disagreements, in the context of preparations for the Growth and Development Summit. The expected processes did not take place, however, and some ANC leaders mounted vicious attacks on COSATU and the SACP in the run up to and following the general strike in October.

The Ekurhuleni Summit reaffirmed key progressive positions. Above all, it agreed that the Alliance would drive processes leading to the Growth and Development Summit, in order to resolve policy differences before negotiating as a block with capital. It established a set of common priorities, with job creation and ending poverty at the top of the list.

But these progressive gains are in the danger of being lost, in large part because of the Alliance leadership does not have the capacity to drive joint processes. No collaborative policy development has taken place on the economy. The only preparations for the Growth and Development Summit are being undertaken at NEDLAC.

More broadly, we are back to the old mode of operation. As of December 2002, no Alliance Secretariat had been convened for close to four months. Hardly any real interaction takes place amongst the Alliance leadership, although this was identified as the key requirement in the bilateral discussions in the run-up to the Ekurhuleni Summit

So why do we seem to move from one crisis to the next?

The ANC is a broad church, like COSATU and SANCO. Its ranks and leadership have always included both worker leaders and people who ideologically do not support working-class leadership of the struggle. Still, at least from the end of the 1940s, the working class imposed its hegemony. The Freedom Charter, the 1969 Strategy and Tactics, and the RDP are milestones that demonstrate its leadership of the NDR.

From the late 1980s, however, local and foreign capital showed renewed interest in contesting working-class dominance in the movement. This situation arose as the ANC became the main political power in South Africa. At the same time, internationally the collapse of the Soviet Union led to a growing centralisation of power in the U.S. In this context, starting in the late 1980s, big South African business, Western governments and multilateral organisations began to lobby the ANC leadership consistently.

The effects of these developments emerged in the changing role of the SACP.

Throughout the period of illegality, the SACP and its activists were highly regarded. It was the first to be banned, in 1950. By the time the ANC was outlawed in 1960, it had already accumulated ten years of experience in underground work. It had developed connections outside the country, which it put at the service of the ANC.

Throughout the exile days, the SACP provided key direction to the ANC. Just associating with the SACP, and even more being a member, brought immediate respect and honour in the democratic movement. SACP cadre were amongst the most respected ANC leaders and M.K. operatives. Joe Slovo, Moses Mabhida, Moses Kotane, Chris Hani - the list of leading theorists and activists in both the ANC and SACP can be continued.

After the collapse of the Soviet Union, however, the SACP's role became increasingly contested. A number of theoreticians abandoned it, while remaining in the forefront of the ANC. A number became the most able spokespeople for the argument that socialism was never a goal of the ANC or the NDR, and

indeed some have become the most vicious opponents of more progressive economic policies. Yet they will not make a similar declaration about capitalism. This position contradicts the 1969 Strategy and Tactics, which explicitly argued that there is no contradiction between the struggle for socialism and the NDR, but did not say the same thing about capitalism. The Freedom Charter, whilst not a socialist declaration, nonetheless emphasised a strong role for the state and the nationalisation of the commanding heights of the economy.

The assassination of Chris Hani in 1993 and the death of Joe Slovo a few years later also weakened its leadership role, and indeed that of the working class as a whole. In Chris Hani, the SACP lost a charismatic and extremely popular leader and theoretician. Joe Slovo was a towering intellectual, who enjoyed immense respect across the Alliance. Both had a combined track record that could hardly be equalled in M.K.

The SACP is rebuilding itself as a mass party and continue to define its role in the transition. It is deeply rooted amongst organised workers. It has a young put political cadre that has a deep loyalty to its ideal. It has built a profile for itself and has championed the plight of the working class and poor. It is not just a reliable ally of the workers but leads them from the front.

However, there can be no doubt that these developments have shaken working class hegemony in the NDR. The adoption of the GEAR in 1996 clearly signalled a shift to the right on economic policy. Contrary to recent statements by some ANC leaders, the fact is that following the adoption of the GEAR, government economic policy derived largely, although not entirely, from free-market principles. The analysis of government policy on capital above clearly demonstrates this situation. In particular, government repeatedly emphasises the (incorrect) belief that "competition" is critical for efficiency - and competition requires a market economy.

Recent trends in class formation have fundamentally affected the contestation for hegemony in the ANC. In most cases, a person's material conditions, associates at home and at work, and economic interests will, in the long run, determine their class perspective. You see problems in light of your own material conditions and the people with whom you socialise. (Can there be any doubt that the food price crisis would have been recognised earlier if more men had done the shopping?)

We need to analyse the impact on the Alliance, and the ANC in particular, of the changing nature of classes, both in terms of the formation of a black bourgeoisie and the relationship between the political and economic ruling groups. On the one hand, there has been a movement of MDM leaders - both former unionists and others - into business. This has had an impact on representation on the ANC NEC. No current union leaders or activists now serve on the NEC; but there are a host of businesspeople. On the other, a number of political leaders, from local councillors to NEC and Cabinet Ministers, now have at least some personal and family links to business. Few still live in the townships, send their children to historically black schools or take taxis to work.

Moreover, the ANC leadership faces continuous lobbying by big capital and the associated ideological forces - including much of the bureaucracy, consultants, the media and academia. Structural linkages between the state and big business include the big business working group and the President's advisory committee on investment, as well as less formal but very high-level interactions between big business and government, like the meetings between Ministers and the Chamber of Mines over the Mining Charter.

Certainly we cannot pretend that pressure from capital, complemented by shifts in the objective class character of former MDM activists, has nothing to do with the recent hostility displayed to organised workers and COSATU in particular. Within the forces hostile to COSATU, and in fact to the Alliance itself, is a small but very vocal block that is trying to win the day by changing the culture of the ANC itself. It essentially seeks to revive some of the negative tendencies that emerged, more or less unavoidably, in the movement when in exile and therefore forced to operate conspiratorially and in military style. These tendencies include:

- Reverting to power rather than relying on reasoned debate. The group tries to order anyone who disagrees simply to shut up. They treat any call for serious discussion in the Alliance as a call for "co-determination," and any demand that government and the ANC engage on policy as "negotiations," and consider both a threat to their power.
- Intolerance - any dissent is seen as disloyal or even counter-revolutionary. The group is quick to question the good faith of anyone who disagrees.
- Paranoia - any attempt to raise a different perspective is seen as part of a conspiracy to overthrow the current leadership.
- Personal abuse - vitriolic attacks and the deliberate spreading of malicious rumours have become commonplace, as has the use of race. Not even Nelson Mandela has escaped. This approach often makes reasoned debate impossible.
- Distorting opponents' position - the group typically tries to discredit opponents by publishing a ridiculous and untrue version of their arguments.
- Use or misuse of Marxist-Leninist rhetoric to sell the capitalist ideology of Adam Smith, while running away from a working class perspective or systematic class analysis.

There can be no question that the majority of ANC leaders find these tactics distasteful. Nonetheless, the influence of this grouping is on the rise. Its divisive tendencies will do more to weaken the democratic movement than any amount of disagreement over economic policies. If members of this group win more power, we can say goodbye to the NDR, the Alliance, the ANC traditions of openness and serving the poor, and indeed to our democratic victory.

At the same time, it is clear that the majority of ANC NEC members want the Alliance to succeed and are trying constructively to solve the problems we face. They want the Alliance to handle internal differences better. Typically, they have little influence on the normal operations of the Alliance, but come to the fore in larger and more representative meetings, including the NGC, the Ekurhuleni Summit and the Policy Conference. They have effectively resisted various efforts, including the publication of the Briefing Notes in 2001, to lead the Alliance into a dead end.

At a bilateral on September 16, 2002, ANC leaders proposed that we have an intensive process to discuss our policy differences. We agreed that such an arrangement must confront head on the differences that have existed for some years now. We agreed that in the main our disagreements centre around economic policy. The aim of our engagement would be to ensure a common way forward, or at least to manage our disagreements more constructively.

Practically, however, we have faced serious difficulties around the co-ordination of the Alliance leadership. In large part this results from a lack of capacity and the failure to prioritise Alliance processes. This problem came to the fore with the failure to carry out the Ekurhuleni Declaration. To achieve our aim of an in-depth policy engagement, we need to overcome these weaknesses and ensure that all the parties in the Alliance find the time for real discussions. In these circumstances, COSATU faces three related challenges.

- 1) To swell the ranks of the ANC with workers who are consciously working to solve problems within the Alliance and who can ensure the ANC remains rooted in the masses of our people. This does not mean that the ANC should become a narrow political party of the working class. It should remain a broad-based liberation movement that is home to the progressive political traditions of our people.
- 2) To think more strategically about how to rebuild the hegemony of a working-class perspective in the democratic movement. The Alliance must not become simply a machinery to mobilise voters at five-year intervals, but rather ensure that government consistently develops and carries out economic strategies in the interests of workers and the poor as a whole.
- 3) To avoid pushing the ANC leadership into the hands of the reactionary forces and capital. We need to ensure that democratic debates provide real space for reflection within the ANC. We need to avoid tactical errors, including the use of inappropriate language and derogatory songs, which strengthen the hand of the authoritarian block that seeks to destroy the Alliance.

In this context, the ANC's 51st National Conference will be historic. We must define our approach more clearly. We must start by answering the question of what workers should seek to achieve at the conference.

We need to think more carefully about how we can overcome the policy disagreements within the Alliance. What kind of process, forum, timetable and capacity makes sense? How can we better respond to the authoritarian clique in the ANC?

### **5.3.2 Is COSATU ultra-left?**

Since 2001, the authoritarian clique in the ANC has repeatedly tried to identify COSATU with the ultra left. It claims that COSATU now works with other international groupings and even right-wing movements to unseat the democratically elected ANC government. COSATU developed a response to these allegations, which has been published in the Shopsteward Magazine, timed to coincide with our 17th anniversary on December 1, 2002. To show how absurd these allegations are we here summarise the main points of the paper, first clarifying what defines the "ultra left," and then pointing to the problem of misdirecting attention from the real threats to labour.

In its crudest form, "ultra-left" can be used as an insult, to categorise anyone who is to the left of whoever is using the term. It can also be used for any group with a political inclination toward socialism - which of course COSATU shares. Obviously, these definitions of "ultra-left" will not take us further, since they only confuse and label in order to end fruitful debates.

The term "ultra-left" can be used even more fruitlessly as a way to shut up anyone from the democratic movement who disagrees with government policy. Thus, in the ANC Today from the last week of November 2002, an article by Dumisani Makhaye argues that a characteristic of the perceived offensive of the "left' groupings within the alliance" is that they "challenge the publicly expressed positions of the ANC." This approach would end open debate within the democratic movement, undermining the basic principles of the NDR.

In our view, it is above all their strategies and tactics that identify the real ultra-left. First, the ultra left are unwilling to look for any solutions within the current system. That makes it hard to build coalitions for change, and they often remain trapped in small groups. Second, the ultra left ignore the real balance of forces and the scope for radical change in South Africa.

To understand the concept of "ultra-left" more fully, we need to go back to basics and look into the history of the phenomenon. The classic work on this subject is Lenin's 1920 Left-wing communism, an infantile disorder, which responded to the views of some leading international communists at that time. These communists rejected work with non-revolutionary organisations that would make partial advances, and refused to countenance any "compromise" in the course of revolutionary struggle.

Lenin condemned those "revolutionaries" who want to set up separate, "pure, revolutionary" trade unions, separate from the existing worker organisations. He argued that real revolutionaries have to work where the workers are not, where they would like them to be.

From this standpoint, COSATU cannot conceivably be accused of ultra-leftism. It is the country's largest trade union movement, organising all workers irrespective of their political affiliation. COSATU engages with capital every day, and in the process of negotiations is inevitably forced to accept some compromises. We will not accept compromises that undermine our principles, but we often have to reach agreements that fall short of our initial demands.

As a trade union movement, COSATU is a broad church just like the ANC, a home to all workers just as the ANC is the home to all those who hate apartheid and want to build a united, non-racial and non-sexist South Africa. That means our ranks contain and indeed have always contained some genuine ultra-leftists - but they do not predominate, or we could not function as a union federation.

Historically, the ultra left in the labour movement has always been a small minority. It was defeated during the unity talks leading to the formation of COSATU. The adoption of our five guiding principles at Ipelegeng in June 1985 signalled the triumph of the Congress tradition. This does not mean there is no political contestation within affiliates of COSATU. But every affiliate has repeatedly reaffirmed the hegemony and political principles of the Congress movement. This was further consolidated in our launching congress in 1985, and indeed in every national congress since then. It was most recently reaffirmed in our national political school and our Central Committee in November 2001.

COSATU remains part of the Alliance because we believe that it offers our people a unique instrument to effect fundamental change in our society. We recognise that the ANC brings together most progressive and working people in South Africa. We criticise some government policies, not because we fundamentally oppose the ANC-led government, but because we need to give our constituency a voice and defend the interests of the working class and the poor.

After all, at the end of the day, it is mainly workers and their relatives who elected the ANC into power. We want our government to succeed and not fail. In contrast, the ultra-left groupings oppose the Alliance and want to defeat the ANC government politically. They see the NDR as a whole as a detour in the struggle for socialism - they demand socialism now, as if it could be established in a once-off event. They campaign for the creation of a new "workers' party" to contest the elections and defeat the ANC. These differences run so deep that they rule out a close working relationship between COSATU and these groupings.

Still, as COSATU, we insist that all our policies must be geared toward meeting the economic interests of the working class and the poor, while helping to lay the foundations for socialism. Building socialism is, in this view, not a once-off event. It is a process of empowering the majority of our people in particular by ensuring more equality and collectivity in ownership on the basis of an increasingly democratic social and political system. That is why we support participatory democracy; the co-operative movement and stronger public ownership; strong unions, worker rights, education and skills development; land reform and other measures to broaden the base of capital itself; and a culture of collectivity and solidarity.

Having said all this, we must stress that workers' only strategic enemy remains capital. The primary contradiction in class terms is not between the working class and the small, inconsequential ultra left. The primary contradiction is between the working class and business.

In short, while an ultra left exists, it does not pose a threat to our people or our movement. Our main enemies are poverty, unemployment, HIV/AIDS and inequality - not the ultra left. We must not allow a witch-hunt after a supposed "ultra-left grouping" in the Alliance to prevent and undermine democratic and constructive contestation about policy. We must not permit the discourse in the democratic movement to shift to a concern with the ineffective ultra-left, distracting us from the real challenges that face our people and our movement.

#### **5.4 Civil society**

In recent years, COSATU has increasingly sought to build coalitions around specific issues with civil society organisations. We need to review these efforts. Civil society is highly diverse both socially and politically. In South Africa, because of the history of struggle, most mass-based civil society institutions have a history of political engagement. To use a different terminology, the resistance to apartheid means we enjoy relatively strong social movements in a number of sectors. Still, COSATU remains by far the largest and best organised structure in civil society. That obviously gives us considerable influence, but also mean we can alienate smaller groups if we do not recognise their needs.

COSATU has engaged with civil society most strongly around the jobs and poverty, anti-privatisation, Basic Income Grant, HIV/AIDS, people's budget and food price campaigns. The WSSD process initiated a particularly well-structured relationship, which we hope to build on. COSATU has worked most closely with:

- 1) The churches, especially the SACC and the Catholic Bishops Conference, which have a long history of political awareness and activism for the poor. Some church leaders even discussed the issues of privatisation in their sermons.
- 2) The student movement, through COSAS and SASCO; the broader youth movement is divided because of the role of the president of the ANC Youth League.
- 3) Sangoco, which is supposed to represent NGOs. While Sangoco has much strength, its weak mandating procedures make co-ordination difficult. Thus, it has frequently reversed its decisions around the People's Budget and WSSD processes.
- 4) Women's structures, mostly through the gender co-ordinator.
- 5) SANCO. We may, however, need to review our strategies in light of SANCO's action around the October strike.
- 6) The Treatment Action Campaign (TAC) around AIDS issues.

Despite our efforts, the WSSD process demonstrated that the Alliance is rapidly losing hegemony within civil society, especially amongst NGOs and community-based groups. Ultimately, this situation results from the failure of the Alliance to give leadership where government policies have caused real problems for communities, as with the electricity cut offs in Soweto, the plight of the landless, and evictions in townships around Cape Town.

We cannot work closely with the ultra-left groups because we differ on basic principles. Still, as they have requested, we should meet with them and explain our position.

At the same time, COSATU should consider developing broader and more structured relationships with the rest of civil society, especially the churches, youth, student groups, TAC, women's groups and many of the civil society formations in SANGOCO. A number of options could be considered in this regard, we could, for instance, establish a forum with them that could meet on a regular basis. This type of more structured interaction could be complemented by broader issues - based coalitions, where appropriate.

At the same time, we should discuss how we can respond to the fear by some in the ANC, in particular the authoritarian clique, that COSATU is seeking to position itself to play a political role at the expense of the ANC. In this view, we seek a relationship with the rest of civil society in order to create a new workers' party. Yet the ANC itself has simply failed to engage or provide leadership to civil society. Leadership cannot be decreed or imposed - it must be earned on the ground by providing practical solutions to the problems facing our people and providing effective, practical and consistent leadership to these organs of people's power.

## **6 COSATU's engagement strategy**

This section first reviews COSATU's policy engagements in the past year, especially with the Alliance and government. It then outlines debates about the role of progressive unions in policy engagement. Finally, it points to some priority campaigns in the run up to our 8th National Congress.

Given the current balance of forces, we cannot expect a sudden tilt in government policies to a more radical development strategy. Rather, we must act to maintain existing progressive positions and to accumulate smaller gains over the longer run. In this context, we must fight to keep and strengthen the tradition of democratic debate and pro-poor policies within the Alliance.

### **6.1 COSATU's policy engagements in 2002**

#### **6.1.1 Mapping our policy engagements**

In the main, COSATU undertakes three types of policy engagement.

- 1) Our leadership engages around labour rights and economic policy with the leadership of the government and capital. The main forums are in the Alliance, NEDLAC dispute procedures, and the MLC. These engagements are supported by the real possibility of strike action in the event of deadlock.

- 2) In the past few years, COSATU and the affiliates have begun to engage on sector job summits. Generally, the main interactions have been with capital, with government (unfortunately) largely acting as mediator. Sector summits are critical because they can affect the level of employment and, by extension, our organisational strength. The recent ICT and financial sector summits lay the basis for major gains, although we have to review whether we have the capacity to maintain these processes. So far, the sector summits have not needed direct action. Still, the potential for using power, especially at sector level, has proven critical in gaining concessions from capital.
- 3) The other COSATU's policy engagement takes place between leaders and officials from COSATU and government, and, to a lesser extent, business. These cover virtually all laws and regulations that affect our members. Engagements take place in NEDLAC, through meetings with departments and Parliamentary portfolio committees, submissions in parliament and in bilaterals with business. Examples include the plastic bags and pension surplus agreements, inputs to hearings on the DTI's latest industrial strategy, and interactions with the Department of Health around HIV/AIDS.

COSATU is unlikely to take direct action to back up our demands in most of these areas. Still, government and business only take us seriously because they know we represent a large and militant membership. To support a debate on our overall strategy, the next section is limited to this year's high-level interactions in the Alliance and with government.

### **6.1.2 Strategic engagements in 2002**

In November 2001, after the ANC NEC issued briefing notes saying that COSATU was ultra left and attempting to undermine the ANC government, our Central Committee reaffirmed COSATU's commitment to the Alliance. At the same time, the ANC membership also rejected any move to weaken the Alliance.

Following these mandates from our membership, the NOBs of the ANC and COSATU met several times, in an effort to resolve the policy and personal differences that were undermining our unity. At the December 2001 Presidential Working Group, in response to a proposal from COSATU and labour as well as business, government also agreed to the Growth and Development Summit (GDS). COSATU understood this as coming close to our demand for an economic CODESA to build a national consensus on the country's economic and social policies.

In response to these developments, COSATU's February Exco decided unilaterally to suspend the planned strike against privatisation, job losses and poverty. The Ekurhuleni Summit then laid the groundwork for a far-reaching solution to our policy debates. Positive outcomes included the following.

- The Summit reaffirmed the organisational independence and right to internal democracy of all the parties in the Alliance;
- It established procedures for more regular interactions around policy; and
- The parties committed to intensive interaction to develop a common position in the run up to the GDS.

COSATU also made progress at the MLC. We submitted a brief position paper on our basic proposals for the GDS. The business side has shown a keen interest in engaging on the issues we raised, and we have set up working groups to prepare for the GDS.

After the Ekurhuleni Summit, however, these agreements were dealt important setbacks. Above all, the Alliance Secretariat developed a plan of work to take forward the Ekurhuleni Declaration, but did not ensure its implementation. Instead, it largely reverted to last year's mode of work, with only irregular and crisis-driven meetings.

At the Ekurhuleni Summit the Alliance did not insist on discussions on known differences, in particular those related to the economy. The prevailing spirit was that we must ensure unity and avoid issues that may further divide us in light of the awful period we emerging from.

This was a fundamental mistake, since the differences immediately began to haunt COSATU again, a mere week following a successful Summit. Various Ministers - notably the Minister for Public Enterprises - stressed in public speeches that government would persist with its privatisation programme using the euphemism of restructuring. We were confronted with unilateral pronouncements, for instance that 30% of electricity generation would be privatised and management of the harbours would be concessioned to the private sector. This caused deep anger and frustration in COSATU. Interactions under the NFA showed government was not prepared to discuss these matters seriously.

The May Exco considered the failure to manage the disputes over privatisation and, more generally, government economic and social policies within the Alliance. It decided to refer to affiliates a decision to lift the suspension of worker mobilisation and to revive the Section 77 Notice at NEDLAC on privatisation. It also agreed to add demands around jobs and poverty following resolutions from affiliates' constitutional meetings.

In light of the move toward a dispute, the COSATU leadership held at least three meetings with the ANC leadership, urging them to intervene to avert a return to the tensions of 2001. Issues around higher education, plastic bags and the municipal strike were indeed resolved amicably following interventions by the ANC leadership. But no meetings was arranged with the Minister of the Public Enterprises, which was the source of the main problem.

Finally, the July Exco, following consultation with membership, decided that if there was no progress on our demands, we would hold a two-day general strike on October 1 and 2. It argued that the unilateral announcements by the Minister of Public Enterprise had placed COSATU in the untenable position. We had unilaterally declared a ceasefire to allow more debates within the Alliance, whilst the government was marching on regardless.

At NEDLAC, government refused to negotiate seriously on our notice of dispute. It initially agreed to investigate processes to engage around our demands on jobs and poverty, but said its position on privatisation was unchanged from last year. When we pointed out that we had deadlocked on this issue, government said it would no longer engage on our demands around jobs and poverty either. Moreover, soon thereafter the DPE informed us that, as long as strike action was in the offing, it would no longer engage on issues under the NFA.

In the run up to the strike, COSATU held three bilaterals with the ANC in an effort to find a way forward. The most in-depth meeting was on September 16. At that meeting, the NOBs of the ANC and COSATU agreed that the strike could not be avoided. But we also agreed on the need for in-depth engagements after the strike in order to deal with the underlying dispute. They agreed that such an in-depth debate must take place before the ANC 51st National Conference. No such discussions have taken place. Again the incapacity and failure to prioritise alliance seem to be the reasons behind this.

As noted above, the ANC's response to the strike was fairly muted, but government ministers and the President strongly attacked COSATU and the SACP. Nonetheless, we expect the engagement with the ANC to continue. The prospects for the GDS are less sure, since there is still no move toward engagement around the key issues. As noted above, we must do more to ensure fulfilment of the Ekurhuleni Declaration. To place our engagement over economic policy in context, we now turn to an assessment of the role of progressive unions in a stable democracy.

## **6.2 The role of progressive unions in a stable democracy**

Over the last few years there has been an on-going debate within the democratic movement on the role of progressive trade unions. This debate initially emerged in the context of the 1999 public service workers' strike. The attacks on COSATU's political views mean we must revisit this discussion, which centres largely on the use of power, especially strikes, to back up policy demands.

At the heart of the debate lie two differing views on how revolutionary trade unions should conduct themselves in South Africa after apartheid. At one end of the spectrum is a belief that unions should concentrate on defending workers on the shop floor and not play an overt political and social role. For its part, COSATU has opted for active engagement with the political and social process to deepen democracy and defend workers, both in the workplace and beyond it.

Historically, COSATU has always believed that it could not restrict its struggles to the workplace, because workers are members of the community before they are workers. COSATU adopted this stance, which was the basis for our active part in the liberation struggle, based on extensive work by the ANC and the SACP in the trade union movement. It is one of the principles that was established in the unity talks at the Ipelegeng Centre in June 1985, which laid the basis for the formation of COSATU on December 1 that year. Adoption of this principle led to the walk out of workerist, Africanist and Black Consciousness trade unions.

Today, COSATU's engagement with policy processes ensures and deepens participatory democracy, in line with the tenets of the NDR and the Constitution. For this reason, it is important that social dialogue in NEDLAC is strengthened and supported. At the same time, the Alliance needs to play an active role in shaping policy and periodically mobilise and discuss with civil society on challenges confronting our nation. COSATU is also active in the governance process and has established a parliamentary office and policy unit to that effect.

Those who are uncomfortable with COSATU's activist policy role allege that we have a hidden agenda to unseat the ANC government by forming an alternative political movement, on the lines of the MDC. This fear is in part informed by the experience of former union leaders contesting political power across Southern Africa - for example Chafukwa Chihana in Malawi, Frederick Chiluba in Zambia, Ben Ulenga in Namibia and Morgan Tsvangirai in Zimbabwe.

More rationally, there is a fear that if COSATU continues to mobilise workers against government policy, workers will ultimately become alienated from the government. Alternatively, COSATU may find it difficult to mobilise workers to vote for the ANC. Although the fear cannot be dismissed lightly, it however misunderstands COSATU's role, which in essence seeks to counter balance the power and influence of capital.

The main debates on this issue relate to the difficulty of defining priorities for policy engagement, managing relationships with an avowedly pro-poor government in a capitalist society and establishing an appropriate balance between policy and shop floor engagements. We here consider each in turn.

### **6.2.1 Defining priorities for engagement on policy**

The role of unions, everyone agrees, is to defend workers. Historically, they arose to protect workers' interests on the shop floor. But this proved inadequate and unsustainable in the absence of national policies to benefit the working class. Particularly in developing countries, if government does not ensure labour rights, social protection and employment growth, any victories in the workplace will be short-lived.

Still, the international labour movement has long (and notoriously) been split about how far unions should go in engaging on policy issues.

Some union leaders argue that labour should not engage strongly in broad political action but should limit policy engagements to protecting labour rights, minimum standards, occupational health and safety issues such as gumboots, overalls and safety helmets, wages and similar workplace issues. This position has been pushed hardest by the U.S. unions, who have a tradition of strong shop-floor militancy without an equally radical social vision, at least since the right-wing purges of the late 1940s. It also seems to have been endorsed by President Mbeki in his speech to the 2002 FEDUSA Congress.

In contrast, more progressive unions argue that protecting the working class requires a commitment to left-wing policies in order to give the broader working class a voice. This comes from a realisation that good workplace deal is not sustainable in the face of hostile political, economic and social environment. It follows that union federations must have substantial policy capacity, and lead campaigns around broad policy demands. This approach generally leads to explicit support for labour, socialist or social-democratic parties.

Another character of the revolutionary trade union movement is an engagement with international development and processes. This is based on the understanding that international balance of power has direct impact on domestic balance of power. For that reason, the trade union movement plays an active international role to contribute towards changing the international balance of power.

The difference between these approaches emerged in labour's work around the World Summit on Sustainable Development. The initial position paper of the International Confederation of Free Trade Unions (ICFTU) focused on the role of workers in enforcing environmental policies in the workplace. In contrast, Public Service International, COSATU and other national federations argued for an emphasis on pro-poor policies in general, such as opposition to privatisation. We wanted to extend our demands to reflect the interests of the working class as a whole, rather than emphasising narrower workplace issues.

A similar division is evident between FEDUSA and COSATU. For historical reasons, FEDUSA and its affiliates are reluctant to engage in policy issues. As a result, compared to COSATU, they have not established a strong internal capacity for policy engagement.

The decision on whether unions should take on broad policy issues is defined not only by ideology, but also by the need to respond to the objective realities facing their members. In industrialised countries, where labour rights are more entrenched and poverty is relatively limited, unions can survive for some time with a fairly narrow focus (although they are increasingly threatened by global undercutting).

In developing countries, that approach has never been viable. It would subject organised workers to the continuous threat of undercutting as a result of mass poverty and joblessness.

Certainly South African unions cannot afford to limit their engagement to workplace policies. As COSATU's Organisational Review Report points out, that would mean unemployment continuing to rise, and organised workers' position becoming untenable. The only way for unions to survive is to fight for improved social protection for all households, and for economic restructuring to raise incomes and employment in the longer run.

### **6.2.2 So what happens when the Left is in power?**

A further set of challenges arises when a left-wing party is in power. The central question becomes how organised labour can promote workers' interests without undermining the ability of the state to resist pressure from capital. Even left-wing governments cannot ignore the power of capital. Big business is always relatively well organised and vocal, because it has more resources. It relies largely on lobbying, including through foreign governments and the International Monetary Fund, World Bank and World Trade Organisation.

But it also invariably threatens "strike" action - in the form of capital flight and a refusal to invest or produce - evidenced in our case by the ever-present menace of a stock market crash and a run on the rand.

Because of these realities, virtually all social-democratic parties adopt more radical positions when out of power than when in government. This typically causes considerable disappointment amongst supporters.

Labour, especially in developing countries, is almost invariably the strongest voice outside of government, speaking for the poor as a whole. Its power derives from its relatively stable social and economic basis. As Marx points out, workers lead the struggle of the poor not because they are most oppressed but because they can organise most effectively. Thus, in South Africa, COSATU is by far the strongest component of civil society.

The question becomes when and how progressive unions should use power - strikes and other direct action - to influence government policy. Some argue that if the unions engage too much in direct action, they risk alienating their supporters within the state, pushing them into the hands of capital; and they could cause an unmanageable capital strike. But if unions do not use power at all, members will be disempowered and demoralised, and government will have nothing with which to counter the power of capital. In these circumstances, no matter how strong labour's arguments, government will generally ignore them. In South Africa, some government leaders seem to oppose any direct action by labour (or anyone else in civil society, for that matter), arguing that this will only cause a capital strike, destroying the economy and any hope of improving the lives of the poor. They say an elected government must be free to make policy on behalf of its constituency. In this view, mass action, even when supported by that constituency, only undermines the democratic system.

For its part, COSATU argues that:

- It must maintain and demonstrate its members' power in order to counter the influence of big business.
- Mass action actually strengthens democracy, because it gives the majority a voice and power to interact directly with government decisions. If we demobilise the majority between elections, government will necessarily fall prey to pressure from capital.

We need to evaluate whether we have successfully combined policy engagements and the use of power. In particular, we need a more in-depth assessment of the impact of our mass action on the balance of forces.

### **6.2.3 Managing mass action and engagement**

We cannot afford to give up on mass action just because some people don't like it. It has become obvious that over time, only mass action leads to concessions from government and capital.

Still, we to consistently review our strategies to ensure that mass action does not unnecessarily disrupt our long-term relationship with government and the ANC. We should be careful not to act as if one major engagement will soon achieve a once-off shift in policy that will solve all our disputes with government. We have sometimes failed to celebrate our partial victories, which can cause workers not to see the point of continuing to struggle and sacrifice. We must at all times celebrate our victories and take our partial victories forward.

Just as we do in shop-floor negotiations, we must look to gain small concessions bit by bit, rather than expecting an overall solution. It follows that we have to define our victories better, and improve our dispute-settlement processes. We will do more to guide compromises on policy issues by defining our bottom line and urge the Alliance to draft a protocol that justifies and protects mass action.

#### **6.2.4 Policy engagement and building the organisation**

The Organisational Review Report argues that especially since 1994, COSATU has generally under-resourced its activities on economic restructuring and workplace policies and organisation.

COSATU and its affiliates are therefore jointly evaluating the impact of policy actions, especially general strikes, on the organisational strength of affiliates and COSATU regions and locals. We must in future design mass action so that the relationship between building and strengthening organisation and the campaigns is far clearer.

#### **6.3 COSATU priorities for 2003**

We here outline our priorities, as a Federation, for 2003.

We shall embark on a systematic campaign to inform our members and communities about our campaign against unemployment and poverty, which includes our position on privatisation of state assets. We will start a national report-back to workers, which will include the convening of workers forums at all levels, in addition to discussions at routine meetings of our affiliates, regions and locals.

We further commit to continue and intensify the process of meeting with organisations from all sectors of society including SANCO and the ANCYL. We remain committed to a long, in-depth policy discussion on the differences that exist between the ANC and ourselves before or after the 51st National Conference in December (even though this is unlikely to happen). We urge the National Office Bearers to move fast to ensure that this discussion takes place in order to resolve the long outstanding differences in the interest of our revolution. We believe that the ANC Policy Conference resolutions significantly narrow the policy gaps between COSATU and ANC. This lays a ground for a constructive solution to these differences. We remain united in our belief that transformation of our country cannot succeed without more coherent mobilisation of the masses of the people, with the Alliance at the head of the efforts to tilt the balance of forces in favour of the democratic forces.

We are committed to strengthening the Alliance by strengthening COSATU, the ANC, SACP and SANCO. In this context, we call on workers to swell the ranks of the ANC and other Alliance formations. There can be no better way to ensure the ANC maintains its historic bias towards workers and the poor than to have workers swell the ranks of the ANC. For this reason, consistent with the 6th National Congress resolution, we shall allow COSATU members and leaders to avail themselves to stand and be elected into the NEC of the ANC as members of the ANC in the coming ANC National Conference.

We are further going to embark on the following programme of action.

**Jobs and poverty campaign.** We shall take forward the campaign on jobs and poverty. The campaign will continue to focus on privatisation of basic services, job losses, food prices, the *Basic Income Grant*, high interest rates and highlighting the plight of poverty-stricken communities. It will include mass pickets, demonstrations, workplace and industrial-based general meetings marches in all of our regions. We shall continue to raise awareness so that more children are registered for the government's child support grant *and Basic Income Grant*.

**Food Prices.** Under the slogan, "No festive season when the majority is going hungry" we shall continue to mobilise all communities, our allies and the rest of civil society to stage demonstrations against all food manufacturing companies and retailers in particular during the period from December 16, 2002 to January 2, 2003. Each region will mobilise the workers, the shop stewards and members of the community to demonstrate in all towns and places at the main chain stores and other food suppliers.

**"16 Days of activism against the abuse of women and children."** We are horrified by the continued media exposures of frightening increase in accidents of violence and abuse of women and children. The 16 days of activism against women and children abuse (November 25 to December 10) will be used to galvanise all of society and turn each one of us into a soldier involved in a sustained struggle to fight this scourge that remains a blot on the fight to retain the dignity of all. We shall participate through demonstration and pickets, in particular in front of our country's magistrate buildings, to demand that the judiciary show no mercy to those who abuse women and children.

**HIV/AIDS and World Aids Day.** We are encouraged by the discussions taking place in NEDLAC to develop a more comprehensive strategy to fight the epidemic. These negotiations must result in an agreement that will commit all parties into specific programmes and timeframes.

Together with FEDUSA and NACTU, we are holding a labour conference on November 30 - December 1 this year, which will lead to our own campaigns around HIV and AIDS.

**Proudly South African - The buy local campaign.** We are encouraged by the growing popularity of the campaign that started as a COSATU campaign and was then endorsed by the 1998 Presidential Jobs Summit. We congratulate all those who ensured that it becomes a success. As part of the food price actions, we will remind the South African consumers of their obligation to protect the existing jobs and create more jobs in South Africa by buying goods that carry the Proudly South African label.

**Recruitment Campaign.** For three months we have been in many work place where we are weakly organised. In this process we have recruited thousands of workers into the COSATU-affiliated unions. In late 2002, we will assess the full impact and develop strategies for the next round, which last from February 2003 until August 2003.

**Organisational Renewal.** We are encouraged by the work of a number of COSATU-affiliated unions that continue to reposition the trade union movement to face the challenges of our time. We urge all affiliates to move faster and ensure that there is a thorough review of their operations in preparation for our Central Committee in April 2003. In the lead up to the 8th National Congress, we declare 2003 as the "**Year for organisational renewal and deepening of service to members.**"

**May Day 2003.** We commit ourselves to ensure a better celebration of May Day by workers and working class families in 2003. We commit ourselves to ensure that all venues and budgets for 2003 May Day are finalised by the first EXCO scheduled for February 2003.

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