

the **BULLETIN**



The Official Newsletter of the New Unity Movement

VOLUME 10 No 2

APRIL/MAY 2001

EDITORIAL: THE 2001-2002 BUDGET - THE TRUTH BEHIND THE COVER-UP

INTRODUCTION

This analysis seeks to support a general thesis that the Budget for 2001 - 2002 is a product of the WB-IMF Structural Adjustment Programme - GEAR.

Its purpose is to keep on track the capitalist order in a mock-bourgeois democracy, which hides its true nature under that limp disguise "South Africa's new democracy".

When the Minister of Finance, Trevor Manuel, gave his Budget to Parliament, his speech was broadcast to the people of South Africa on radio and television. The most noticeable thing was that he did NOT tell the people of South Africa how much he was going to raise using Value Added Tax, Income Tax and other Tax measures. He concentrated on the petty little "extras" that the government would allow poor people - pensioners, needy children, elderly people and others. Only after the Budget Day did the government give out through a few newspapers a leaflet giving some more details of Revenue and Expenditure.

CONTENTS

1. EDITORIAL: THE 2001 - 2002 BUDGET - THE TRUTH BEHIND THE COVER UP
2. CURRENT ECONOMIC REPORT
3. THE ROLE OF TRADE UNIONS IN SOUTH AFRICA

WHO PAYS MOST TO KEEP THE COUNTRY GOING?

So much was said during the budget speech on the taxes that the government was "handing back" to income-taxpayers. This was given as R 8,3 billion in this tax year.

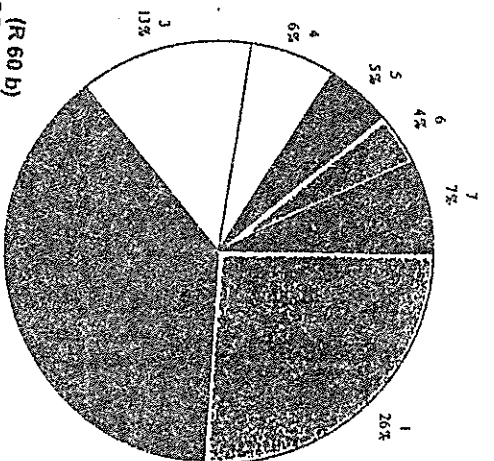
Special mention was made of the increase of R 30 in the old-age pension and disability allowance from R 540 to R 570 per month. This is an increase of 5,5%. The rate at which prices of basic needs – food, clothing, rents, transport, etc. – will rise this year will be more than 7,5%. So that increase will not even cover the extra living costs of elderly and disabled people.

But we must be careful of the meaning of percentages. Children's allowances have been increased by 10%: from R 100 to R 110 per month. But that 10% does not cover the inflated costs of looking after a child under present conditions.

The primary rebate reductions on income for tax purposes has been increased by R 340: from R 3 800 to R 4 140. *Persons over 65 years of age are granted an extra amount of R 3 000, or R 100 more than before.*

The fuel tax on paraffin (40c per litre) was removed to make this fuel cheaper for the poor. In one year this will amount to R 800 000. 70% of our population lives below the bread line, so that each family's share of this saving will not be very big, although it will make some difference.

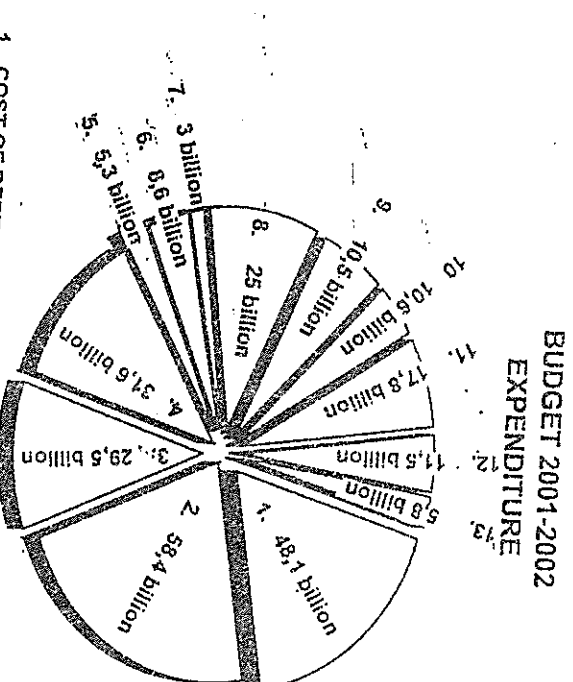
And then much was said about allowing R 4 000 (R 5 000 for persons over 65 years of age) free of tax if one gets that amount of interest on savings. But this only affects the well-off to the very rich. To get R 4 000 in interest in one year, one must have a savings account of at least R 40 000. If you have other income – which you won't if you are poor – you may be able to live a little better. But R 4 000 p.a. is no more than R 333 a month – less than the measly old-age pension of R 100.



BUDGET: 2001-2002 REVENUE (INCOME)

NOTE
1. Only ordinary men, women (and children) pay VAT and Personal Income Tax. The total is R 50 billion. This is 65% of Revenue – R 233,4 billion (about 23%).
2. Companies pay only R 30 billion or 11,5% of Revenue.

PEOPLE PAY FIVE TIMES AS MUCH TAX AS COMPANIES



PEOPLE PAY MOST OF THE TAX REVENUE!

But the clearer picture is shown when one looks at where the government gets its Revenue (Income) to cover its costs (See diagram A).

- Total Revenue for 2001-2002 is estimated to be R 233,4bn. Of this amount R 150 billion will come from VAT and Income Tax. That is 65% of Total Revenue. (Gold Mining companies pay less than R1 billion in tax).
- Companies pay only R 30 billion or 12.5% of total State Revenue. They do not pay any VAT. That means that wage and salary earners pay FIVE TIMES as much tax as the business part of our society, despite the fact that they own and control the greatest part of the wealth of the country.
- But, in addition to all this, most of the revenue from Customs, Excise and Fuel Taxes will come from the people who buy and use goods and who use fuel themselves or have to pay transport and energy costs.
- This means that the ordinary men and women pay even more than 65% of the State's revenue! And VAT will not stop at R 60 billion. When prices go up, people pay even more VAT. (There are very few things on which VAT is not paid). VAT is a vicious way of collecting taxes.

ROBBING POOR PETER TO PAY PAUL

VAT was first imposed as "general sales tax". It was increased from 5% to 14% during the past 25 years. Why?

- The World Bank and the International Monetary Fund ordered the South African government in the late 1970's to stop using company taxes for "free" education and "free hospital treatment" and social welfare. The government had to raise the money by means of the special GST - VAT that all people had to pay - especially those who got education, hospital services, pensions and / or grants.
- But as VAT was increased to 14% as it is today, Company taxes were reduced from 48% to 30% of their profits.
- VAT was used - and it is still used - to make up for the loss of company taxes.
- Over the past two decades people have had to pay ever more taxes to enable the government to run the country! For whose benefit? Obviously not for the workers, the rural poor and their families!
- The bourgeoisie - the rich who own mines, factories, farms, banks and other forms of wealth - they benefit from all this.
- That is why VAT - and other taxes - are a means of robbing poor Peter - the working classes - to pay rich Paul - the bourgeoisie and those in government who collaborate with them. These latter collaborators are paid huge salaries out of VAT and Income Tax. On top of this they are given a share in the profits of companies who benefit from the low company taxes they pay.

- When the ANC-SACP-COSATU Alliance was seeking the support of the working classes before the 1994 elections they said they would abolish VAT if they were elected to office.
- They have not done so. They can't! They are now under the same orders of the World Bank and the International Monetary Fund. They can't do without VAT. They can't raise company taxes. They have to beg big business to use their wealth to build factories and other business to create jobs. But more than 1 million jobs have been lost since 1994. There is more poverty than ever.

BLUFFING THE MASSES

- As was pointed out right at the beginning the Minister of Finance said nothing when he read his Budget Speech about how much of VAT or INCOME TAX or other TAXES he planned to raise.
- The people pay so much MORE than ever in VAT that the government gets much more than it lost in company taxes. VAT will be R 10 billion more in 2001 than last year.
- So the R 8,3 billion in tax cuts will be made up by means of extra VAT and other tax increases.
- All the stories about people "plucking the fruit from the tree of liberty" was so much ballyhoo! The Ministry of Finance even handed out red apples to people outside Parliament on February 21 when the Budget was read.
- There is a saying in English to describe how the rich steal the wealth of a country and then give to the poor the scraps or leftovers as charity. It reads: "They steal the hog and give the feet for alms".
- In the leaflet issued by the Ministry of Finance after February 21 the claim was made that the ANC government produced "a budget to tackle poverty" and "a plan for growth". The facts of the budget tell the opposite.

DIAGRAM B shows the EXPENDITURE FOR 2001-2002.

- R 48,1 billion of the Revenue has to be used to repay government loans and interest on loans. This money can't be used to tackle poverty or produce growth!
- The expenditure is greater than revenue by R 24,9bn. This deficit or shortage can only be covered in the first place by borrowing money from foreign or local banks, insurance companies. The present capitalist government debt is already R 404 billion.
- The government hopes to sell TELKOM (i.e. privatise it) to foreign investors for R 18 billion. It will take R 7,1 billion from the Special Anti-Riots Insurance Fund (SASRIA) to pay off debt. Privatisation will cause more job losses, increases in prices of services and so on. All this R 25 billion is the people's money - to pay off capitalist debt.

BENEFITS FOR BIG BUSINESS

- Business pays far less in taxes than people do. This has become a shocking truth. It is one direct cause of poverty, unemployment, lack of housing, crime and poor education, and health and welfare services.
- Heavy VAT and Income Tax, including taxes on people's insurance and other savings prevent people from saving anything at all, or very little even amongst skilled artisans and professionals. But Manuel, the Finance Minister, complains that South Africans do not save enough. 7 Million unemployed will only save if they get good jobs and living wages.
- To show how people have been robbed over 20 years, let us look at these facts in Table C

TABLE C

YEAR	1980	1997	2001
Direct Tax	20%	40%	65% of TOTAL REVENUE
Companies Tax	33%	14%	13% of TOTAL REVENUE

Between 1980 and 1997 VAT and Income Tax doubled. Between 1997 and 2001 VAT and Income Tax rose by another 60%. In the same period Company Tax's share fell to less than half. In the same period the Company Tax rate was reduced to less than half of what it was in 1980. From 48% to 30%.

- But these are not the only benefits for business in the 2001-2 budget.
 1. A "Skills development programme" is to get R2, 8 billion, if a business can show that it has trained a certain number of workers it can deduct the expenses from tax.
 2. If a business spends more than R 100 000 on equipment to expand its workforce it can write that off as an expense, to reduce tax to 15%.
 3. Business can invest R 500 million overseas, outside South Africa or R 750 million in Africa without "permission" from the Treasury.
 4. Over the next three years the State will spend more than R 11 billion to improve roads, energy sources, harbours to make things easier for Big Business to operate.
 5. There is constant effort to give tax concessions to encourage Direct Foreign Investment in new business of one kind or another. Out of every R 100 million that foreigners now "invest" in South Africa, R 84 million is used to speculate on the Stock Exchange (now the Securities Exchange). As little as R 16 million may be used to set up business or expand existing businesses – like the Dairmair – Chrysler factories in East London.
 6. Poverty relief is set to cost R 4.5bn. Some 12 areas were named for special development. But this year R 5.8 billion rand will be spent on the Arms Deal. Already businesses are looking around like a flock of vultures to get the sub-contracts connected with these arms deals.

Much more detail can be added if one has the Budget Review to hand. But it is the MAIN PATTERN of INCOME and EXPENDITURE that is important.

Crime is as serious a problem as theft in every ministry, in every Province, in every city, town or village. Justice has been given a 25% budget increase from R 3.3 bn to R 4.1bn. Measures to combat and/or control this will cost R 50.6 billion this year. It will not succeed because it has to hold together an oppressive, exploitative and crumbling social order in which the capitalist classes and their henchmen are fattening on system like vultures on a rotting carcass. The New Unity Movement is based upon the replacement of such a social order with a people's democracy free from both the causes of our problems and the deplorable results of such causes.

A budget for such a social order will be quite different from what that shameless actor Trevor Manuel and his colleagues delivered on February 29th, 2001. Let it be a stern reminder for all of us that the Budget earned a standing ovation from the National Assembly's mixture of capitalists, ex-socialists, ex-revolutionaries and colourfully bedecked party backs. Outside, the world's business circle gave the Budget liberal critical support. The rand fell to R8 to the dollar and the job losses renewed their sorry trend – partly because the Budget was a plan to serve the interests of a neo-colonial capitalist class.

(Note: The "Budget Review" is a book in which the complete details are set out. It can only be bought at great cost from government printers or Finance Ministry offices.)

2. CURRENT ECONOMIC REPORT

The global capitalist system is in a state of deepening crisis. The capitalist classes are seeking every means to dig themselves out of the crisis. Some of the features of this crisis are:

1. widespread "overproduction" of primary, secondary and tertiary industries;
2. the WTO's battles to regulate "free" trade have not succeeded: everywhere there are more crises in the regulation of "free trade" – it becomes less free;
3. the opening up of more markets is restricted by the enormous debt that three-quarters of the world's economies carry;
4. the debt is owed to the G7-type industrialised countries. They advanced loans in the first place to enable the indebted countries to buy the goods of the G7-type economies, who profit also from the interest they get;
5. the "rich" countries cannot go on lending. The "rich" countries cannot demand repayment of the massive US\$ trillion debt owing to them;
6. in any case the debtors can't pay;
7. but even if they could pay, the lender-countries (not donor-countries) cannot afford to demand the money back! Their economies would swell to bursting point with finance they cannot use – remember "overproduction" is a chronic problem. Their internal interest rates would drop. "Inflation" would hit the roof.

HOW CAPITALISM SEEKS TO SAVE ITS OWN SKIN

Outside of the G7-type economies there are numberless businesses created by the governments during the many past decades. E.g., Britain's Rail Service, Post Office, British Airways, Harbours, Health. These businesses were created by governments where capitalists would either not have enough capital or, more often, would NOT want to risk their capital as their profits would not be assured.

The governments set them up out of taxes (or LOANS which were repaid out of taxes if the State enterprises were not profitable). E.g., our Postal Services, Railways and Harbours.

We now say that such assets are the people's assets. The parasitic capitalist classes are now demanding the "right" to buy them

(i) after all the financial outlays were carried by the people and
(ii) now that they are going concerns which can be made profitable by cutting jobs, increasing prices and getting tax and other concessions.

But capitalists have got countries in such deep debt that they bluff these crippled states that:

(i) If they sell their State-owned businesses to them they can use the proceeds to pay off their debts. That means simply to pay the proceeds to the very capitalists who lent them the money in the first place!

(ii) The governments are "saved" the trouble of running businesses.

(iii) They can cut down on the civil service.

(iv) They can concentrate on running the country. (In whose interests?)

(v) They can save on interest they pay to service their present debts. They will then have more money to pay for basic services: like the police force, the army and the fat-cat bureaucrats who have to be kept "loyal" to the system. These all are part of the

"Structural Adjustment Programmes" (SAPs).

Privatisation is a lifetime to help the crisis-ridden world capitalist system out of its crisis – by providing investment for their capital and higher rates of profit for them. The falling rate of profit at the present time is a massive headache for capitalism generally.

PRIVATISATION

Privatisation comes in many forms and guises, namely:

- restructuring of State assets¹;
- Gear;
- structural adjustment programmes (SAPs) and
- share ownership.

¹The new I-MAX jails in Kokstad and Louis Trichardt will be built by the SA government – out of taxes/loans. But the jails will be "privatised" – run by private firms – at a profit to themselves. The "profit" comes from what the government pays them – what the private parasites charge – out of taxes.

The Unity Movement has always rejected privatisation and point 6 of the Ten-Point Programme (TPP) states that privatisation (that is, the right to sell to private investors the entire resources of the country) must go; as must the laws that have reduced the useful social labour of its population to mere factors of production for the benefit of the capitalist classes.

In their place a new legal framework must place under public control the main sectors of our national economy. These main sectors are: manufacturing, farming and fishing, mining, quarrying, power and water resources, communications and public transport, commerce, monetary and financial institutions and other basic services. Privatisation benefits only the capitalists by increasing profits and only brings misery to the long-suffering masses.

SALE OF STATE ASSETS

It is a fact that privatisation of State assets will result in massive job losses. The four sectors to be restructured include transport, telecommunications, defence and power. Labour unions say that if they do not oppose privatisation plans 50 000 to 100 000 jobs will be lost. It is expected that Eskom, Transnet, Telkom² and Denel will be restructured to fetch a targeted figure of R40 billion by 2004, which could reduce SA's national debt to R429 billion or 41.5% of the gross domestic product (GDP).

Between 1992 and 1995 more than 61 000 "redundancies" occurred in the public sector, of which 6 000 were the result of privatisation. 2 400 jobs have been lost at SA parastatals over the last 12 to 18 months.³

The Min. of Water Affairs and Forestry announced that new draft legislation will allow Local Authorities to appoint private companies to provide water services and that public-private partnerships would be set up to provide water in country rural areas, which is in direct contradiction of clause 19.2 of the Water Act which states that water must be provided by local

²Telkom's CEO Sizwe Nxasana said the 1999-2000 financial year was one of cleaning up the operation as part of its preparation for listing and the introduction of competition to the local phone market. Telkom will spend R20 billion on it within 2 years, focus on outsourcing and cut staff numbers further as part of an accelerated restructuring plan in anticipation of competition. He also stated that five non-core divisions were outsourced last year (1998) with 2 000 employees transferred to new business owners.

A total of 12 000 positions was shed and further jobs would be lost in 2000 and more outsourcing deals done. Telkom was also preparing to list and it should happen in the second half of 2001. A total of 20% of Telkom is expected to be listed, possibly on the Johannesburg Stock Exchange (JSE) and one other bourse.

³In 1997 there was the sale of 30% of Telkom to SBC Communications and Telkom Malaysia. 20% of South African Airways was sold to Swissair for 1.4 billion rands and 20% of South African Airports Company – in which Brinsstone (see below) has a stake – to Italian airports operator Aeroporti di Roma for R819 million, with an option to acquire a further 10% at the same price a share. 10% was offered to Black empowerment companies of which only 4.2% was taken up. The government intends offering 9% of the share capital to company staff. The listing of the Airports Company of South Africa on the Johannesburg Stock Exchange could take place in 2001.

government and not the private sector. If these private corporations cannot show a profit the service will deteriorate and the poorest will be the first to be affected.⁴

Over the next three years privatisation in South Africa will accelerate, according to Steven Gortzen chief executive of NM Rothschild and Sons, the company appointed as transaction adviser on the restructuring of Spoornet.

BLACK EMPOWERMENT

The economic paper read out at the 15th annual conference of the New Unity Movement referred to the plans by the ANC to work towards building a "black bourgeoisie". This "black bourgeoisie" is supposed to serve as a buffer against revolutionary onslaughts on the State and also filter down benefits to the people on the ground.

Criticisms that the latter was not happening, led to the establishment of a Black Empowerment Commission. One of the commission's proposals is that the government should pass a National Black Empowerment Act to force businesses and government agencies to formulate empowerment strategies. Their performance would be monitored. Cling poor investor confidence as one of the main reasons for the slow process of empowerment, Cyril Ramaphosa⁵, the Commission chairman, laid out plans to remedy the situation. After modification, they would be presented to President Thabo Mbeki at the end of October and then put into action. (*Argus*, 19 September 2000)

The parliamentary committee queried the lack of a proposal for the establishment of a bank which could finance empowerment. They regarded access to capital and the insistence of collateral against loans as the major stumbling blocks to black empowerment.

4 The iGoli 2002 restructuring plan involves the privatisation of the Rand Airport, Johannesburg Stadium, Metro Gas, Civic Theatre, bus services, zoo and the produce market. iGoli 2002 proposes bringing in outside contractors to manage the city's creaking water, sewage and refuse collection services. Seven international companies are bidding for the contract. During the week of June 30 - July 6 2000 the Min. of Finance, Trevor Manuel, announced that he would provide R550 million to the Greater Johannesburg Metropolitan Council on condition that the iGoli 2002 plan continued.

The Johannesburg Metropolitan Council hopes that teaming up with a private water operator will help cut its revenue losses from hundreds of thousands of consumers who are not paying for their services (water and sanitary services). Greg Reuters, a political science lecturer at Wits University, said that only the private water operator stood to benefit. He said poor people who cannot afford to pay for this basic necessity were in for hard times. Water is a basic need and should not be commercialised.

5 His personal fortune was assessed by *Fortune* magazine in 1999 to be about R150 million. Just before his death Oppenheimer opened up a share in Northern Platinum for Tokyo Sexwale - who was at HO's funeral. Northern's price on the JSE has gone up 200% in this year.

Ironically, their prayers were answered in the form of an announcement by Nedcor the very next day, that a controlling share in its People's Bank and Fidelity Bank had been sold to a consortium of black business interests led by Brimstone, a Cape empowerment group.⁶

Private enterprise, in response to calls by politicians for more efforts towards empowerment and affirmative action seems to be at pains to show its commitment to these ideals for there is no lack of pronouncements in the media.⁷

But black empowerment never was intended for the oppressed and exploited masses. On the contrary, all deals, mergers and agreements between the State and private enterprise are geared towards the establishment of a black bourgeoisie, empowerment of a minority and strengthening of the capitalist system.⁸ The previously politically oppressed remain economically oppressed and bluffed with hollow promises of "a better life for all".⁹

Black empowerment certainly does no harm to the State or its black middle class who enjoy the benefits of the process. While the economically oppressed become poorer, a minority from the previously disadvantaged group are lining their pockets as a direct result of black empowerment.¹⁰

6 The consortium comprises Brimstone, the Disability Employment Concerns Trust, Nasasa Investments and Finance Company, Women's Development Bank Investment Company and Sashu Investment Holdings. This deal was the result of negotiations between Brimstone and Nedcor lasting for more than a year.

7 A newspaper headline (*Argus*, 30 July 2000) reads: "Business leaders must meet social obligations." "SA's unfulfilled potential" reads another (*Sunday Times*, 9 July 2000). The State, on the other hand, also provides its fair share: "State plans to speed up land redistribution" (*Argus*, 6 August 2000); "Poor will benefit from R120 million poverty fund" (*Argus*, 11 August 2000); "Moores slams tourists' white complexion" (*Argus*, 13 August 2000); "Mandela warns ANC on neglect of 'ordinary people'" (*Argus*, 15 and 16 July 2000).

8 Closing down 6 outlets of US-owned Domino Pizzeria, co-owner Handsel Minyard says: "All we wanted to do was to give people jobs, make them entrepreneurs and get money as well." Self-empowerment?

9 In August Social Development Minister Zola Skweyiya acknowledged that government's failure to spend poverty-relief funds. Announcing that R120 million has been made available to the nine provinces for poverty eradication projects aimed at empowering the poor, he fails to mention whether the amount was budgeted for this year or whether it would be the unpaid millions of last year. If the former, what happened to last year's money? And if the latter, what has happened to this year's money.

10 When Tokyo Sexwale's Myelapanda Minerals decides to buy up 25% of platinum producer Northern Platinum, which the latter obtained from Ampplus, and the announcement is made that "...the second generation empowerment model is emerging..." - the 2000 model described as sustainable and real - the deal will not benefit the poor for it appears that "...for Ampplus the deal would mean that they now have a strong empowerment partner, which in turn means lessening of pressure to be caused by proposed changes to legislation aiming to open mining to black miners. So much for empowerment of the poor!"

In an article in the *Argus* of 22 July 2000 we read: "Empowerment allegedly used to gain contracts." Two black businessmen have apparently accused a white developer of racism and fraud. He allegedly was using them as a "...front for black empowerment..." to win a "...lucrative R3,7 million contract for a water pipeline". Accuser Peter Malope says that he "...is worried that more black people are going to get hurt in the name of black empowerment."

It is becoming more and more obvious that black empowerment is just another addition to the long list of frauds perpetrated against the economically powerless masses, who also have yet to win political power.

INTERNATIONAL PROTESTS AGAINST THE WORLD BANK, IMF AND WTO

It is wise not to have too many positive expectations based on events at the World Trade Organisation ministerial meeting in Seattle (from 30 November to 3 December 1999). The successful demonstrations by thousands of anti-WTO antagonists were very sensational and caused the suspension of the negotiations on the last day of the meeting. But, as Allan Mashonga states in *SAPEM (Southern African Political and Economic Monthly)* of January 2000, "... (the) suspension ... only means that those with hidden agendas are going back to their drawing boards to refine their tools and tactics."

What opposition would there be from the heads of State, representing the victims of World Bank, IMF and WTO policies in their embattled nations? Mashonga thinks that it would have been substantial. He says that the 3rd World leaders at Seattle would not have yielded to the measures of trade liberalization that were to be tabled "... because the battle lines were finalized at the Commonwealth Heads of Government Meeting (CHOGM) in Durban, South Africa, between 12 and 15 November 1999." It was decided there that the Third World HOGs "... would reject labour and environment issues if considered part of trade terms to be negotiated at Seattle." What the Third World HOGs intended saying was basically that countries which used child labour, for example, or which caused serious environmental degradation through their methods of production should not be disadvantaged where trade was concerned. This does not look like progressive opposition to capitalist manipulation of world trade.

In fact, in another issue of *SAPEM* (July 1998) Tukumba Lumumba-Kasongo expresses this contrary point of view of the role played by African HOGs. He felt that African leaders and political organisations may not be radical enough in understanding. They often see SAPs as a "necessary evil". He points out that "... despite controversies and much resistance to their agenda, as of 1997 more than thirty-five African States have partially or fully adopted the Saps and stabilization programs". Lumumba-Kasongo himself is abundantly clear on how he would like the SAPs to be viewed. He claims that

- "... public policies, based on, and defined within, the framework of the Saps (Structural Adjustment Programmes) by the African States, are producing disastrous social and economic conditions in many parts of Africa"; and that
- "... there is no clear indication that programs of austerity, promoted by both the IMF and the World Bank ... are either succeeding in qualitatively transforming the productive forces of the people in Africa, or substantially improving their living standards."

What radical opposition there is to the SAPs in Africa, he says, is coming from other sources: "... popular movements and multi-party politics, demanding openness, power sharing, and fair

distribution of resources, are seriously challenging the power, policies and legitimacy of African States..." He adds with regret, however, that these popular movements "... articulate social and political issues generally in non-ideological terms."

The largely non-ideological opposition of the demonstrators at Seattle (and subsequently at Prague, etc) can be gauged from the identity of the demonstrators. Who were the Seattle demonstrators? They were mainly reasonably well off public-minded Americans with a facing of foreign nationals. (There was also a group of "skinheads" organised by corporate entities to indulge in violent and destructive actions so as to give the demonstrations an unsavoury public image.)¹¹ The "genuine" demonstrators were organised under the supervision of the Global Trade Watch, a branch of Public Citizen, the consumer rights protection organisation of Ralph Nader (who was one of the presidential candidates in the United States elections this year). Public Citizen's funding comes largely from its membership of 150 000, although there is some support from foundations such as the Ford Foundation. The members pay a minimum of 20 dollars annually. The total annual budget of Public Citizen is slightly less than 11 million dollars.

The demonstrations in Prague, with their highlighting of world poverty and the many anti-capitalist placards, might have seemed to be more radical in nature but the situation is more complex than it seems and hasty judgements should be avoided. Once again, the multi-million dollar nature of the whole show leaves one with the uneasy feeling that all is not what it seems. Are we being too sceptical, ironically when something that many of us have spent long years in working towards finally seems to be happening? Let's look at a few causes for scepticism.

There is an international lobby for reforming capitalism. Or eradicating the harmful version of capitalism and replacing it with a benign form. This can be assessed in a reading of the *Presentation for Hungary: Life after the Dominance of Capital* by David C Kortzen. His thesis is that a malignant strain of capitalism, characterised by greed, international rule by the corporations, dominated by the mindless just after money and the loss of human values, has infected the global system.

"The world's most powerful institution is the global financial system, which functions as a global financial casino staffed by faceless bankers, portfolio managers, and hedge fund speculators who operate with a herd mentality. Lacking accountability for the consequences of their actions, they send exchange rates and stock prices into wild gyrations unrelated to any underlying economic reality as they each day move more than two trillion dollars around the world in search of quick profits and safe havens. With reckless abandon they make and break national economies, buy and sell corporations, and hire and fire corporate CEOs - holding the most powerful politicians and corporate managers hostage to their interests. When their bets pay off they claim the winnings as their own. When they lose they run to governments and public institutions to protect them against

¹¹ The police, who seemed to be in the know as to the "skinhead" strategy, did not take any action when the presence of the lawless elements was pointed out to them, but they did react against the "lawful" demonstrators when things got out of hand later.

loss with pious pronouncements about how the poor must tighten their belts and become more fiscally prudent."

This sounds very much like our kind of language. And the reference to losing speculators who "...run to governments and public institutions to protect them against loss..." is definitely a reference to the role played by the IMF in saving the day for the wealthy speculators when international crises occur.

But, not Korsten claims that the way forward is the elimination of a capitalism that turned cancerous and its replacement with "genuine" capitalism, a "healthy market economy".

"In a healthy market economy enterprises are human-scale and predominantly locally owned. Economic exchanges are shaped and controlled by people through the expression of their cultural values, their purchasing decisions, their democratic participation in setting the rules by which the market will function, and their ownership of local enterprises. It is a dynamic and interactive system in which people participate in many roles and bring their human sensibilities to bear on every aspect of economic life."

An evaluation of the viability of this proposed solution to all the woes of the world would require a great deal of examination - much more than we have time and space for here. The main question seems to be: Is the major and all-encompassing flaw not just capital, that is, private ownership of the means of production? Is there the possibility of a good capitalism, regulated in such a way that it's inherent tendencies towards destruction of the world's resources and the blighting of human life are kept under control? You be the judge. But remember that this is an example of non-socialist solutions that may be infiltrating progressive international circles.¹²

In the next bulletin we will deal with Cuba as an example of the Socialist solution.

¹²See also *Understanding the Global Economy* by Howard Richards, Professor of Peace and Global Studies at Earlham College, USA. (<http://www.howard.org/Trade.html>) Richards comments on other "remedies" for the crisis of capitalism currently doing the rounds: green technology, sustainable technologies, "doing more with less", "small is beautiful", "living within the earth's energy budget", etc. His own comment is: "Whether markets, laws and mentalities can be transformed so that the good intentions built into human-friendly and earth-friendly technologies can be implemented, depends mainly on whether humans can do better at relating to each other."

3. THE ROLE OF TRADE UNIONS IN SOUTH AFRICA

INTRODUCTION

This publication looks at what is happening to workers and their organisations at shop floor level. We focus on the latest strategies used by the owners of capital, changes to legislation and how workers defend themselves and their unions. We look also at the ideological positions the leadership in the major unions use to justify their role in the schemes of co-option and the suppression of independent worker struggles. Attention is also given to other socio-economic conditions that face workers and add to their misery.

LATEST PRACTICES OF THE CAPITALIST SYSTEM TO CO-OPT UNIONS AND EXPLOIT WORKERS

Workers across the country are experiencing new forms of capitalist management that endanger their survival within the capitalist system of production. These new forms of management can be discussed under the following headings.

1. Union Investment Companies

The Sunday Times (10/12/2000) carried an article under the heading "It's comrade vs. comrade" in which the author dealt with union investment in the private sector and the consequent problems. The unions involved in private investment companies include, NUMSA, SACTWU, NUM, SARHUWU and the federation COSATU itself. In short, the main problem areas identified include the following:

First, worker leaders have expressed concern about the lack of control over these investment arms and more progressive elements in the unions accused the board members of using these companies only to enrich themselves, without accountability to union rank and file.

Second, investment companies are departing from their original mandate that included job creation and worker empowerment. Moreover, activities of companies undermine the political objectives of trade unions and the federations, as the companies' executives have become a law unto themselves and bid for investment in the same industries where union members are employed and under threat of losing their jobs through outsourcing and flexible labour practices.

The move to create private companies is a manoeuvre of the Capitalist system to involve workers to ensure that they will afterwards defend this system. Moreover, it has created a contradiction between the so-called aims of unions and the practices apply in ensuring higher profits through these investment arms. The provident and pension funds of worker members and officials are tied up in these investment companies and can be withdrawn only at great cost to individual members

and union structures. This further makes workers part of the system that exploits them daily and creates a situation where they look for solutions within Capitalism, rather than its destruction.

2. Lean Production Methods

This is a focussed business approach to organisation that has as its main aim the elimination of wastage in every sphere of operations. This method when employed will identify surplus stocks, machinery, materials and people. It is clear that such an approach is the ideal way for bosses to reorganise their operations to reduce cost and in the process cut down on what they perceive as surplus labour. The negative consequences of lean production for the workers will therefore include:

- Fewer workers that must maintain the same production targets. This will demand longer hours of work and shorter lunch and tea breaks.
- All replacement labour in cases when workers are off sick, on holiday, are taken out of the system and force the remaining staff to deny themselves these rights. Even when workers go to relieve them, production piles up and demand work at a faster pace to reduce the backlog when those involved return.
- Workers are sent on training courses where they are indoctrinated to believe that these practices are vital to ensure global competitiveness and therefore also their own jobs.
- Health, safety and environmental standards are lowered or completely ignored in order to push production speed to ensure higher and faster outputs.
- Increased stress is placed on employees through the lack of basic facilities like proper chairs, water taps, toilet, bath and restroom facilities. These facilities are seen as luxuries and unnecessary.
- Bosses who deny access to information and organisational rights undermine unions.

Today the workforce in most companies consists of a small group of core workers who are relatively well paid in permanent positions that offer benefits like bonuses, annual leave, and medical aid. The majority of workers are called flexible labour and are employed on a casual contract, seasonal or piecework basis. These workers enjoy none of the above rights and even a set weekly or monthly wage is seen as a privilege. Most of these workers find themselves at the same companies in more or less the same position for more than one year but this period can even be extended over many years. Characteristics of a flexible workforce include the following:

- Highly insecure workers who are excluded from any rights emanating from labour laws.
- No provident fund or pension benefits to ensure security at retirement
- No educational or skill development programmes are offered as the term of employment contract is too short for bosses to get a return on their training investment
- Short notification to start duty and no or short prior notification that their services are no longer needed

- Although theoretically they enjoy a right to strike, they are unable to exercise this right.
- Low morale and motivation levels as these employees are normally used for manual and unskilled jobs without any future career prospects
- Workers are grossly underpaid and under severe pressure to produce under unsafe, unhealthy and inhumane conditions
- Unions are reluctant to organise these workers due to a lack of legal protection. The short cycle of their contracts even decreases the likelihood of belonging to a union structure, as the collection of monthly subscriptions to the unions is difficult.

3. Management Controlled Participation Schemes

Chapter 5 of the Labour Relations Act (Act 66 of 1995) (LRA) makes provision for worker participation through workplace -forums. Although the Act was passed 5 years ago, only thirteen workplace -forums are in existence. In terms of the Act, only a majority union at a plant can trigger the existence of a workplace forum.

Let us briefly analyse the views of the different parties in the labour relationship to these forums:

Position of the Bosses

They see this forum as a platform to involve workers in the making of peripheral decisions about their work and to experiment with methods of improving production. They believe this kind of cooperation will move relations from being hostile and class- positioned to a new level of cooperation where workers will buy into the Capitalist system. It is obvious that they will seek to replace unions by these forums in order to break the progressive influence of shop stewards and officials at plant level. This they hope to do in the following manner:

- By involving shop stewards in so many discussion forums and committees that they become alienated from their members and their needs.
- By co-opting workers into a process where they themselves will be part of the decision making forums which will retrench or deploy workers via flexible or lean production practices
- By changing the agenda of workers from fighting for equality and justice to a reactionary programme of new and better methods of exploitation under Capitalism.
- By creating a facade of joint decision- making to merely rubberstamp decision that were taken behind closed doors in boardrooms.
- By using this forum to involve and offer promotion to prominent shop stewards who will become "Prophets of Capitalism"

Position of Workers and Unions

Leaders in unions affiliated to the bigger federations have for many years been involved in corporatist structures like the National Education, Development and Labour Council (NEDLAC). They have lost any fear of becoming co-opted because they can no longer see the divide between the interest of workers and the bosses. Therefore they have no fundamental reasons not to become involved, though the following aspects make the more progressive elements reluctant:

1. A fear of losing their members and shop stewards in these management-driven structures as they already find themselves in a position where their membership is in decline and union officials are leaving to join their former comrades in parliament and big business.
2. The lack of shop steward and worker training over the last decade has made them extremely vulnerable to the influence of the bosses as they were not trained in independent class ideology and struggle.
3. The capitalists offer promotion to employees and shop stewards and play them off against their former constituency
4. In most of these structures workers will never be allowed to intervene in real decision-making nor to have veto power in decisions affecting retrenchments, bargaining issues or dismissals.

Arguments of the "leftists" to justify involvement in management driven structures

Many of the leadership figures propagating worker-involvement at plant-level structures for reasons other than collective bargaining, use one or more of the following arguments:

- Bosses will still implement anti-worker schemes whether or not workers participate in forums where these decisions are taken. They argue that when there is a lack of worker involvement and presence, management have an open mandate to proceed without interference and can use the argument that the non-involvement of workers stems from a lack of interest or ability.
- Participation in these forums offers opportunities for workers to develop knowledge of production systems that can be used in the future in a Socialist economy.
- These participative structures offer a developmental route to workers to run Capitalism without the Capitalist and therefore restore the mental as well as the physical power of workers within the production system.
- These forums offer an opportunity to negate the alienation that Capitalism causes between workers and the outcome of the production process.

Although these arguments might sound like cheap ideological waffling, ordinary members are confronted with them daily to give the opportunist leadership further mandates to wheel and deal with the bosses at plant level as well as at a national level in NEDLAC. It is a fact that most ordinary members are not aware of this horse-dealing and were never directly consulted. But this situation has been dominant since 1994.

Major Shifts and Changes within the Labour Movement over the past Twenty Years

In order to understand the demands and attitudes of workers at present, one needs to look at the main shifts and changes affecting individual workers and their organisations over the past twenty years. The main influences are discussed below.

1. Change in the Political and Economic Climate

South Africa has changed from a country with a close, protected economy during the years of "sanctions" to one that is part of the global capitalist network of multi-national corporations, investment and trade. As such the conditions in which workers find themselves in factories, mines and on farms also changed to cope with the challenges in the external environment. Workers and their organisations have moved away from the notion of "worker control". This used to embody their desire to create a society focussed on workers' needs and where workers and their progressive allies would be in sole control of the means of production and the distribution of the outcomes of the production process.

This expression of controlling wealth in society to the benefit of the majority has given way to new patterns of thinking, especially amongst layers of middle-class and more highly skilled workers. These new patterns of thinking are based on individualistic and self-centred objectives of self-enrichment, and career paths development to achieve the highest levels of pay, promotion and status within the Capitalist system. Adversarial and class-positioned struggles at plant level have given way to boosterade and sundowners where workers and managers now meet to jointly plan future endeavours to achieve higher productivity and profit levels. Workers are persuaded by their leadership in the labour movement not to express their anger and frustrations through strikes or other forms of industrial action. By empty promises wrapped in neo-liberal economic jargon and phrases such as "international competitiveness is the only means of survival", or "economic growth through higher productivity is the only route to stimulate growth in the economy and employment creation", they are further convinced. These phrases are used by the union leadership to buy time for the Capitalists in crisis and to justify the incompetence of the ANC-led government to deliver on promises made since 1995 in Klaproven and before.

The militancy of workers that was so well demonstrated during strikes, marches and picketing exercises during the 1980s is no longer visible at plant, regional or national level in the major trade union federations today. Among explanations for this lack of militancy and radical ideas and perspectives amongst workers and their organisations are the following:

- The trade union leadership today forms a very powerful bureaucracy that denies ordinary workers access to information relating to their union policies and organisational structures
- Workers and shop stewards are not exposed to progressive ideas and tactics through training and educational programmes as they used to be in the past. In fact, very little if

any training takes place in union structures and the full time academics (especially those from the liberal ranks) in key positions see development as their exclusive right.

- The alienation of workers from their unions is further strengthened by the practice of weeding out progressive organisers/leaders and shop stewards who dare to oppose reactionary practices and ideologies and who work to keep the spirit of revolutionary change going.
- The strategic and policy decisions in unions are taken by the bureaucratic groupings in conjunction with the "black" and "white" liberals at academic institutions without accountability to or obtaining mandates from union rank and file.
- Revolutionary songs, slogans on T-shirts and banners have become watered down over time to mere empty statements reflecting positions linked to transition and reforms under Capitalism in the so-called post-apartheid era.
- Collective actions in the form of strikes are rare. This the bureaucracy achieved through the signing of two to three-year wage agreements. These agreements in many cases are linked to workers' productivity and the companies' profit levels. As strikes and other forms of industrial action are no more part of collective expression of workers demands and anger, workers lose their ability to unite and to fight as a united class.

The above shed some light on the political and economic factors that have caused union members to become passive drained of radical ideological thinking and disillusioned with their union leadership and structures. The present situation however makes workers vulnerable and open to the ideas of the bosses and ultimately to co-optation through the various capitalist schemes. The aping of reactionary, individualistic ideas and culture blown over from countries like the USA is clearly visible when one looks at the dress code and hairstyles of younger workers today and their empty lifestyles.

2. The New LRA and BCEA – Worker Victory or Front for Further Enslavement?

Some rights were granted to unions and workers under the present LRA and BCEA (Basic Conditions of Employment Act).

However, major fundamental differences exist between the old "Apartheid Era" LRA and BCEA and the ones passed after 1994 under the ANC-led government. These differences include:

- No Right to Bargain.*
Under the LRA of today no legal duty to bargain is granted to workers and this removes the strengths and gains that were achieved by the working class through many years of struggle. It means that workers must now force the boss to recognise their union by using strikes or other action. Especially the smaller unions are disadvantaged through this move and the bosses nowadays bluntly refuse to listen to worker demands or to have discussions with their unions.
- Limited Right to Strike.*
The old LRA allowed workers the broad right to strike but today's LRA denies them this right over issues such as dismissals or retrenchments. Disputes over dismissals must now be decided by arbitration and adjudication in the case of retrenchments. The argument from the bosses and government is that too many "unnecessary and unproductive strikes" were allowed in the past

that disturbed good harmonious relations within the economy. These strikes further scared away foreign investors and made local capitalists reluctant to invest. Clearly, the workers lose a vital defence weapon as a result of Government's attempt to keep big business and foreign capitalists happy.

Basic Conditions of Employment Act (BCEA)

The BCEA we know today also took away basic workers' rights gained through hard and long struggles under the old apartheid era BCEA. The new BCEA include the following elements that favour the bosses:

- a) The protection of the bosses' right to flexible labour practices discussed earlier in this publication.
- b) The bosses' right to lower minimum standards "to remove inappropriate restrictions on working time", permit the introduction of arrangements for more productive use of working time, and provide for wider variation of employment standards.

It is clear that even minimum worker conditions are now negotiable to a sub-minimum in government and capital's quest to secure more and bigger profits.

Amendments to the Already Over amended Labour Relations Act (LRA)

The bosses, the government and major union federations have for some time been debating in NEDLAC amendments to the Labour Relations Act. Each party defends the interest of its own constituency. The amendments under discussion include the following:

- The right of the Minister of Labour not to extend bargaining council agreements to non-parties. This will open the door to small, medium and micro enterprises (SMEs) as well as big business to pull out of bargaining councils and not to uphold their agreements, leaving workers without any protection.
 - The proposed amendments call for "simplified internal procedures" to make it easier for bosses to dismiss workers. If this becomes law the bosses' duty to hold inquiries before dismissal will be removed and the right to "hire and fire" will be unchallenged and the bosses will use it to further numerical flexibility.
 - No right to negotiate or strike over retrenchments is envisaged, although COSATU has demanded this right for many years.
- The overall effect of these amendments is clearly a further shift of power from the workers to the capitalist class. It is an important element in this strategy of "total onslaught" on rights that workers fought and paid for with their sweat and blood. However, the leadership in unions and the so-called progressive forces are silent on these important amendments and fail to expose the dangers they hold for workers and their organisations.

Socio-Economic Conditions facing Workers

Although disempowering legislation and the reactionary role of trade union and political leadership have contributed immensely to the decline of progressive struggles within the labour movement, harsh socio-economic conditions add further to this decline. Economic analysts suggest that the unemployment level is now in the region of 40% of the economically active population in urban areas. The figure is obviously much higher in rural communities where the communities are dependent on a few sources of employment like telecommunications, fishing, mining or rail and road works. These unemployed workers have become totally destitute and dependent on government grants such as old age pension and disability grants of family. The growing unemployment has a major psychological effect on those still employed as their fear of losing their jobs prevents them from joining unions or confronting management on controversial issues.

Family violence, crime and substance abuse are part of the daily lives of workers, as those who are denied an opportunity of employment and security take their anger and frustration out on the communities where they live. Gangsterism, prostitution and drug-trafficking have become acceptable methods of protecting one's own interests and putting a meal on the table. The short- and long-term effects of this "barbaric" way of life in South African townships and informal squatter camps become clear when one looks at:

- The number of young boys and girls killed daily in gang-related violence
- The number of innocent victims, mostly very young children, getting killed
- School children dropping out of school as they believe getting employment will still not be possible even with a matric certificate or even higher learning
- Record cases of rape and unwanted teenage pregnancies and abortions
- Taxi / bus violence and the lives it has claimed this year alone
- The young and old becoming prisoners in their own homes, unable to visit the corner-shop without fear of being robbed, raped or even killed
- The high stress on workers while away from home at work, fearing for the safety of the young ones who must often look after themselves.
- HIV/AIDS pandemic spreading rapidly across the country and prevalent mostly in areas where the poor are forced to live. The poor socio-economic conditions are an ideal habitat for this and other diseases to flourish.

The list of social degradation is endless, the effects disastrous. We have witnessed how poverty and related conditions tear apart the social fabric in areas where the poor live. Capitalism is the source of these evils with its brutal and vicious system of exploitation and oppression to guarantee profits to shareholders and speculators internationally.

COSATU and the Tripartite Alliance

A big circus exercise took place before the last COSATU conference in September 2000 when so-called opposition inside COSATU threatened to break the alliance with the ANC and SACP. Many meetings behind closed doors took place to cool down the anger of opposition in worker ranks, with various Cabinet Ministers addressing the leadership, internal cooling down operations in every affiliate as well as Thabo Mbeki addressing the National Cosatu leadership. At the Congress under some booing, the ANC populists within COSATU secured the continuation of the alliance. The most important controversial areas raised by COSATU according to the Sunday Times (August 2000) include:

- That government must take seriously COSATU's objections to changes in the labour laws
- Brakes should be applied on privatisation, which is the major cause of job losses
- Demand for market friendly policies (is this demand a deliberate effort to mislead workers or a misunderstanding of the nature of Capitalism?)
- That the ANC honour their 1999 election manifesto promises.

It is clear that the demands made by COSATU during the pre-1994 era voiced in the RDP documents and Worker Charters are now totally forgotten and that COSATU bargains only for the "best" conditions of exploitation under Capitalism as offered by big business under an ANC-led government. It is therefore no surprise that after the COSATU conference the leadership encouraged workers to support the ANC in the Local Government Elections.

SAMWU Workers and the Globalisation Conference in Gauteng

A well-publicized conference took place in Gauteng in September where the issues of globalisation and privatisation were high on the agenda. Matters discussed included job losses nationally as a result of the combining of municipalities, lack of service delivery, role of local councillors and their inability or unwillingness to deliver after elections etc. Resolutions were drafted around the following issues:

1. An anti-outsourcing campaign should start nationally in the form of picketing, strikes and disruption of essential services to protest against Egoli-2002 and Umicity formations
2. Communities must ensure consistent service delivery and must supervise independent candidates. Candidates not performing in terms of worker expectations should be recalled immediately.
3. Examples of the consequences of outsourcing were discussed and examples to illustrate include Khayalisha and Khatlithong

The strong liberal contingency supported the right to "recall" non-performing candidates in local government to give credibility to the so-called democratic local government election and structures. Our analysis confirms the fact that those involved in the parliamentary politics of

the day seek answers to the problems facing workers not in alternative economic ideologies, but rather in the more subtle and humane form of worker oppression and exploitation.

Issued by the New Unity Movement (est. 1985)
For more information about what the NUM stands for or want to receive the Bulletin
regularly contact:
The Secretary, P.O. Box 356, Knits River, 7580
Fax: (021) 903 6400 Tel: (021) 903 8045

IN THE V B U A H O S