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Europe :

**Monetary chaos**

Lebanon :

**Collective punishment again**

Dossier :

**São Paulo forum**



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## Monetary shake-up at IV

In recognition of the fact that Britain is fast becoming the low-wage economy of Europe we are reducing our sterling cover price and subscription rate. From this issue IV will be £2 per issue or £18 for eleven issues. Those of you who recently subscribed at the previous rate will have your subs extended. We are hoping that in the near future there will be a British address to add to our distribution network — making life for you, and us, so much easier. — The Editors ★

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# Monetary chaos

**ON August 2, the European Union took a holiday from its monetary system (EMS), the primary mechanism which is supposed to lead to political and monetary union.**

**ERNEST MANDEL — Brussels, August 18, 1993**

**T**HE project of capitalist unification of Europe was frozen halfway between a simple free trade zone and a real federal state. The Single Act and the Maastricht Treaty were attempts to unfreeze the situation through the creation of a common currency. The creation of a political and military authority was put off to a further date.

It can be asked whether this option was lacking in realism from the very beginning. A common currency presupposes common monetary and financial policies. And does this not itself presuppose common economic policies — that is, a common federal authority?

The European Monetary System (EMS) and the Maastricht Treaty were sunk on the rocky shores of economic and social reality. This is the meaning of the monetary storm of July and its aftermath.

This reality is characterised by:

- The extraordinary imbalance between the extent of floating capital and money on the one hand and the exchange reserves of the European central banks on the other. On the exchange markets alone, transactions are equal to the annual volume of world trade. Daily transactions on the exchange markets reach a total as high as \$900bn, three times higher than the combined exchange reserves of the seven major industrial powers and smaller members of the EEC. Capital on the settlement markets is as high as \$10,000bn.

When there is downward speculation against a currency, the central banks can only defend the currency in question by buying it with their exchange reserves. Over a few days, the Bank of France lost 90% of its exchange reserves in its attempt to defend the franc. The Bundesbank gave it an advance of an equivalent amount in German marks for its reserves. It was a lost cause.

- No political authority, even the most tyrannical, can oblige owners of merchandise or of large sums of money to accept play money in exchange for their holdings. For-

ced exchange (or slightly limited fluctuations) of currencies losing value eventually gives way. This is the objective cause of speculation, since all the European currencies are play money to varying degrees. Inflation has been reduced, but not defeated. In the European Community, it is now on average between 4 and 5% per year and it is in the process of increasing. This leads to a cumulative loss of 50% every seven years.

This is why capitalists have a tendency to seek out “values of refuge” such as real estate, shares, gold and other precious metals. Bonds have to offer safeguards against devaluation (that is, an interest rate higher than the “normal”). This is why interest rates are so high in spite of the abundance of capital in the form of money. According to the weekly *The Economist*, real interest rates (after subtracting the rate of inflation) are 2.6% in Germany, 4.5% in the Netherlands, 5.5% in Belgium, 6.7% in Spain, 7.1% in France and 11.8% in Denmark — much higher than historical averages.<sup>1</sup> And these figures are actually lower than they should be.

- There has been an economic depression that has lasted for some 20 years. The normal “industrial cycle” has operated within this framework. At present, all European countries are in recession. Maastricht presupposed a progressive harmonisation of economic and financial conditions in the different member countries. The EMS presupposed the pooling together of a part of the different countries’ exchange reserves — to the detriment of Germany above all. When business is good, these painful sacrifices are tolerable in spite of everything; everyone hopes to profit in the end. But when business is bad, “selfishness is blessed” and the “everyone for themselves” mentality dominates; gains for one party almost certainly imply losses for another — and thus the difficulty of getting Maastricht-type rules accepted.

Contrary to appearances, what sent the EMS into a slide was the weakening of the

German economy and not its “strength” or the arrogance of German bankers. In the space of six months, German exports have dropped by 10%. Industrial production has dropped by 6% over one year.

One can say that by defending the stability of the German mark, the Bundesbank may be weakening the position of German exports, but it is faced with a difficult choice due to the huge public debt it amassed as a result of the hurried capitalist reunification of Germany. Any policy of economic “revival” aggravates inflation and any policy of defending the mark aggravates the recession.

The unfruitful attempt at revival through a lowering of interest rates led to a series of devaluations, first of the British pound, then of the lira, the peseta, the Swedish crown and finally of the French franc.

- Other member countries of the EEC are faced with the same dilemma, aggravated by economic weakness which is worse than Germany’s. As a result, Germany has emerged from the collapse of Maastricht less weakened than its partner-competitors. But it has emerged weakened nevertheless. Any deepening of financial instability in the rest of Europe, any deepening of the recession, will have negative effects on the German economy.

This explains the near-desperate to salvage something from the wreckage over the mid-term — to set up something more modest than Maastricht, but something that points in the same direction all the same.

- Is this a two-speed Europe? For the moment, it seems more like a three-speed Europe: the German mark zone, an intermediary zone (France, Britain, Italy) and a zone of weaker currencies. If the Netherlands, Belgium and Luxembourg and perhaps Denmark integrate themselves into the German mark zone, it is not in order to succumb to “German dictates”, but because doing so corresponds to the interests of their bourgeoisies. One need only see what proportion of their exports are going where, and what part they make up of their total production, to understand why.

But for the bourgeoisies of these countries — and no doubt of Austria also, which is knocking on the EEC’s door — it is not only privileged relations with Germany that count. It is the consolidation of the European Community as a whole that is a question of

1. *The Economist*, July 31, 1993.

life or death for their economies. Their exports toward member countries of the EEC outside the German mark zone are almost as significant as those to those in it.

The governments of these countries are going to exercise tremendous pressure on Germany for it to come to some kind of accommodation with, above all, France and Britain. Saving the EEC is their goal. Belgium, which is now taking over the presidency of the Council of EEC Ministers, will take up this task with vigour. The Belgian prime minister, Dehaene, gave a taste of what is to come in an interview he gave to the Belgian press.<sup>2</sup>

● The wish for such an arrangement also corresponds to a political preference for avoiding the risk of German domination in all fields, which would flow from Germany's immense economic weight. The Franco-German leadership that has led the EEC until now is preferable in the eyes of the European bourgeoisies. French military weight (and to a lesser degree that of Britain) neutralises the possibility of German military hegemony.

● While the EEC machine may have broken down, it is not beyond repair. Its success depends on interests — in the first place, those of European multinationals — which are too powerful for it to be so easily discarded. To understand this, one need only note that inter-community trade accounted for 60% of the total trade of the EEC countries in 1990, against 49% in 1980.

But these "pro-European" forces are not the only ones present in the twelve member countries of the EEC. There are also the

**Table 1**  
**USA production as a percentage of the production of other countries**

	1970	1975	1980	1986	1987
Japan	495	317	254	214	188
Germany	547	371	330	469	401
EEC	158	113	93	131	104
Japan & EEC	113	77	64	77	67

trusts oriented primarily towards the internal markets of their own country. There are the non-European multinational corporations. There are the small and medium-sized firms threatened by the new arrangements. There is the public and semi-public sector "protected" up until this point in the member countries. There are also political forces within the bourgeoisie who are aware of the European institutions' lack of legitimacy in the eyes of the masses.

These institutions are inadequate instruments for responding to political crises and social explosions. This absence of legitimacy is without a doubt heightened by the technocratic arrogance and the absence of political sensitivity of which the Commission has provided numerous examples. It has not been able to "sell" its merchandise, as the debates around Maastricht clearly demonstrated.

But this is only a minor element of the problem. The main thing is the absence of any kind of European consciousness among the large majority of the popular masses. They do not in anyway feel that they belong to some nascent European "nation". While

they are less influenced by nationalism than before 1948, and while travelling and choosing one's partners without paying attention to borders and ethnic origins has certainly oriented the youth in this direction, no new international identity has yet to replace the former, declining national identity. This is why a nationalist retreat remains possible in the medium-term. And the new identity will only emerge little by little out of new needs and experiences and common cross-border struggles.

"European construction" can not progress unless it plays referee between all of these 50 to 60 disparate forces for the whole EEC — in other words, institutionalised haggling and blackmail. Consequently, things will only progress slowly, and there will be many retreats.

● There are other fundamental realities. The problems of European capitalist unification are part of a specific global context. There is first and foremost the triangular trade war between the USA, Europe and Japan — in which none of the three is dominant enough to enable it to dictate terms to the others. This is clearly a product of the dramatic decline of American production in relation to that of its main competitors (see table 1).

Multinationals of European origin and other economic and political forces in Europe see a consolidated EEC as the best way to defend their interests against American and Japanese competition. While Washington and Tokyo are good at defending the interests of Boeing, IBM and Exxon, Paris, Rome, The Hague, Madrid and Brussels do not yet have the sufficient strength to defend those of Fiat-Seal, Rhône-Poulenc, Philips or Solvay.

● In spite of all the sermons in favour of monetary stability, the temptation to use de facto monetary devaluation as a weapon in a trade war is very real. American and Japanese capitalists celebrated the weakening of the EEC that resulted from the collapse of the EMS.

But the consequent strengthening of the dollar and the yen may hit Japanese and American exports. In the month of June, the American trade balance reached its highest deficit in five years. The deepening of the

2. *Quotidien de Bruxelles, Le Soir*, August 18, 1993.



recession in Europe and the growing misery of the peoples of the Third World always provoke an analogous effect. The *Schadenfreude* (malicious enjoyment) will be short-lived.

● The relative stability of exchange rates in the 1980s was based on the long economic recovery which followed the 1980-81 recession. This recovery was based on real estate and stockmarket speculation, but this inevitably came unstuck — lest we forget the stock market crash of October 1987!

As a result, floating money-capital progressively spilled over onto the exchange markets. The monetary measures of July 31 certainly increase risk for speculators — a result of the threat of a series of devaluations. Thus money-capital is flowing back into the stockmarket; in New York, London and Frankfurt stockmarket levels have reached levels higher than the records of 1987 (see table 2).

These figures do not take inflation into account. They should be reduced by some 35% to 50% to see the real increases in the values of stocks. But since this increase does not in any way correspond to a proportionate growth in production, a new October 1987 is on the horizon.

● French President Mitterrand and Prime Minister Balladur are now denouncing a dark plot against France by international speculators, after having denounced “the Germans” as the ones responsible for the attack on the franc. They could with equal credibility ape Pope John Paul II or Ayatollah Khomeini and hold the Devil or the Great Satan responsible.

To honestly recognise speculation as part of the intrinsic mechanisms of the capitalist economy and the fundamental “values” of bourgeois society is certainly not fashionable these days. But facts are more stubborn than myths.

Table 2

Share prices in local currencies, including dividend re-investment, compared to 1987:

Hong Kong	+ 379%
France	+ 164%
Netherlands	+ 155%
Britain	+ 159%
Denmark	+ 147%
Sweden	+ 157%
Australia	+ 138%
USA	+ 130%
Germany	+ 106%
Belgium	+ 91%

Source: *The Sunday Times*, August 15, 1993

Who then are these famous speculators, aside from certain individuals like George Soros whose exploits have been highlighted by the press?<sup>3</sup> It would be quite an accomplishment to discover the nationality of these speculators — for indeed even those who operate in New York and Tokyo are in part European, and often French, too.

When it is a question of quickly making a lot of money, with little risk, patriotism and other noble sentiments don't carry much weight. But in the current order it is easier to

check the nationality of immigrant workers than of those who export capital!

Is it really so subversive to ask the question, “how many French speculators could be counted among those who speculated against the franc?”

Let's add a juicy detail: according to the Washington correspondent of the *Sunday Times*, the head of the Federal Reserve Board (the American central bank) regularly loans money to private banks at an interest rate 3.5% to 4% lower than the interest rates they can get by buying nearly risk-free state bonds.<sup>4</sup>

One doesn't have to be a genius to get rich in such conditions. The profits of American banks have risen dramatically, and they use these profits to speculate on the exchange markets, their appetite for supplementary gain being insatiable. These are not small profits, and our not-so-brilliant friends are always on the lookout for new adventures.

● We will not mourn the death of Maastricht. The Single Act is an undemocratic and socially regressive undertaking, grounded in attacks on democratic freedoms, on increased repression of the weakest layers, on a deepening of the “dual society” which leads to a rise in racism and neo-fascism and aggression against the people of the Third World.

But while we do not mourn for Maastricht, we are not altogether thrilled with what will follow. Maastricht did not crumble under the weight of mass struggle, but rather under the collective weight of the internal contradictions of the capitalist system. The initiative remains more than ever in the hands of the bourgeoisie. The work-ing class is more than ever open to severe blows.

For this class, the economic and social situation is dominated by unemployment. In Germany, France and Italy the number of



unemployed is already higher in absolute terms — even in relative terms — than that of the 1930s. Unemployment and the fear of unemployment dominate the thoughts of the organised workers movement and the mindset of the working masses.

In such a climate, Chancellor Kohl does not hesitate to preach the need of lengthening the workweek. He pretends to ignore the fact that while individual firms certainly have to shoulder costs for their employees, these employees also constitute the primary purchasing power for the merchandise of a large part of the firms that have to sell a growing mountain of goods and services. Without this realisation of plus-value, there will be no revival of capital accumulation — robots will never buy ready-to-wear items.

With a brutal frankness that goes beyond mere cynicism, international investment experts (among them a representative of the Indo-Suez Bank) proclaim that what Germany needs after the failure of Maastricht is a massive reduction in social spending.<sup>5</sup>

Chancellor Kohl is obeying orders. On August 11 he announced the first cuts in social spending, including unemployment insurance, in 45 years. The Italian, Spanish and Portuguese governments are following suit. In Portugal, there is even talk of re-establishing the right to make 14 year-old children work. Only the German weekly *Die Zeit* is sounding the alarm and asking what will become of Western stability in such conditions.

● To face up to this capitalist offensive, the workers movement must unburden itself of the myth of its supposed guilt with respect to unemployment. It is not “high salaries”

3. See *Business Week*, August 23, 1993, for an interesting analysis of the “successes” of this personality.

4. *Sunday Times*, August 8, 1993.

5. “Massive cut in German welfare expenditure”, *International Herald Tribune*, August 14-15, 1993.

that are responsible for unemployment, as statistics clearly show. Indeed, it is actually those countries and regions where salaries are highest that consistently have the lowest unemployment rates.<sup>6</sup>

The responsibility belongs to those who make decisions about investment, about its size and orientation. Investments aimed at rationalisation eliminate jobs instead of creating them.

But the workers movement must above all have nothing to do with any notion of consensus around defending "national competitiveness", on whose alter they are asked to abandon their own interests. This is a game that working people and the oppressed lose before it can even get started.

No resistance can be put up to threats of relocating production centres if this so-called national imperative is accepted. Multinationals will always find a country in which salaries and social programmes are the lowest, and thereby impose an endless spiral of social regression.

To respond along nationalist lines to Maastricht and post-Maastricht is suicidal. The only effective response is the unity in action of working people and the oppressed of all countries, as opposed to class collaboration with the bourgeoisie, whether national, European or international.

Durable links should be made between union activists, beginning with those working for the same multinational. Our forces should be united for a radical reduction in the workweek without a reduction in salary — the only way to effectively fight unemployment.

We should not hesitate to confront European institutions with specific social and democratic demands — backed up by the real forces of the organised workers movement across Europe. But priority should be given to agitation and direct action against unemployment, in defense of immigrants, against racism and fascism and for the strengthening of solidarity with the peoples of the Third World.

These are not easy tasks, but this is the only way to stop the retreat and the disarray. We have to begin by winning some partial battles. Current trends can only be reversed through practical successes. The success of the June 12 Assembly of the European Left — for a European alternative of labour, solidarity, reason and heart — is a first step in this direction. Other such steps must follow — and they will. ★

6. Six of the seven countries with the highest wage levels (Switzerland, Luxembourg, Denmark, Holland, western Germany) have the relatively lowest unemployment rates.

# Spanner in the works

**It is rather amusing to see how the heralds of the "market", including those who are for stock market deregulation, are now denouncing mean-spirited speculators. But if speculation played a role in the July crisis it was more a consequence than a cause. The EMS effectively cracked underneath the pressure of the recession and the crisis of public finances.**

**CLAUDE GABRIEL — Paris, August 18, 1993**

**T**HE old rules have been replaced by a kind of pseudo-EMS: the margin of possible fluctuation of each currency in relation to another has gone from 2.25% above or below a pivotal rate to more than 15% around the same rate. In other words, the former regulated discipline has been replaced by the free-floating of currencies (within a range of 30%) with the hope that governments will discipline themselves.

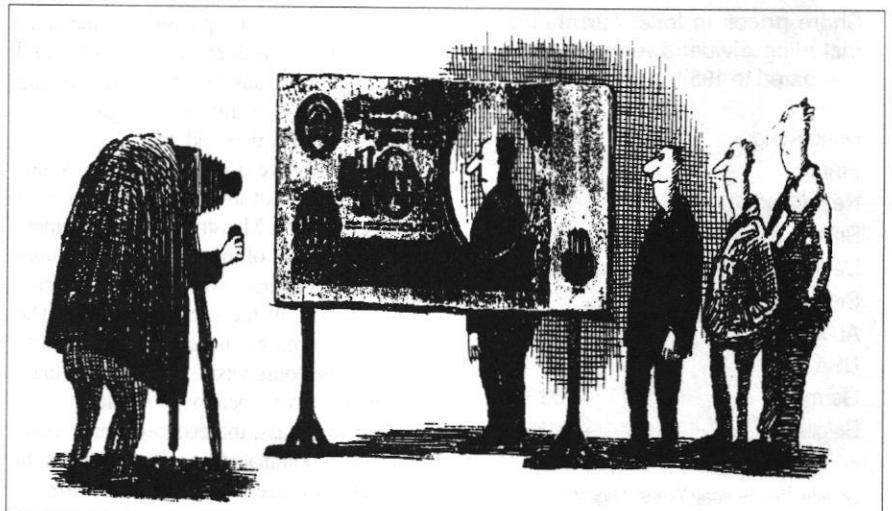
The main actors — governments and central banks — first displayed an optimism based on the belief that this new range of fluctuation would curb the monetary disorder and return currencies to their previous standing. However, there is nothing accidental or passing about July's events. They have led to a re-evaluation of exchange rates within the European Community and have, more importantly, led to the suspension of the rules of monetary solidarity in the EMS.

These are big developments. They have thrown a spanner in the works of the policy of convergence contained in the project of Economic and Monetary Union

(EMU). They may lead to an abandonment of the financial and economic discipline that was meant to lead to total integration. From now on, certain governments can, following in the steps of Great Britain and Italy, choose to "competitively depreciate" their currencies in order to make their products more attractive to export markets.

With this in mind, German Chancellor Helmut Kohl evoked the "very strict conditions" that made up, according to him, the criteria for convergence. In the same spirit, French Prime Minister Eduard Balladur declared that, "it is an error to hope to build economic and monetary union when economic policies diverge."

While the march towards a common currency requires a rapid divergence of economic performance, we have seen the contrary over the last few months. Each state is plagued by specific problems and contradictions: Germany is paying the costs of unification and must maintain high interest rates to attract holders of capital and hold down inflation; Belgium has not been able to curb its public debt;



France has seen its budgetary deficit grow; Spain has a 22.5% rate of unemployment and a public deficit of 1,700bn pesetas<sup>1</sup>, and so forth.

### **Stagnant Britain**

Even John Major's government has not been able to reverse the general tendency in spite of gains made through devaluing the pound by more than 20% in relation to the French franc and the German mark — no significant upturn had been registered in Great Britain. Globally speaking, the Brussels Commission forecasts an average 0.5% decrease of production for the whole Community.

To simply attack speculators or, as some have done, criticise the "liberalism of the Maastricht Treaty" (that is, of the EMU) is merely a way to get around denouncing the barbarism and the foolishness of an entire system. Indeed, it is even nonsensical as far as Maastricht is concerned, since the project of a single currency aims at, among other things, eliminating monetary disorder in the Community.

In the meantime, the EMS was to be a transitional instrument inasmuch as it would create a stable monetary system somewhere in between that of a single currency and that of a generalised flotation of exchange rates. The EMS worked as a disciplinary framework which was to avoid competitive devaluation and determine "adjustable fixed parity". It was meant to impose financial virtue on the different states. With the EMS, the Community took on several objectives: limiting unmanageable short-term fluctuations and simplifying commercial exchanges and investments within its orbit; and progressively reducing the margins of exchange to ultimately achieve fixed rates.

From that time, in an ideal world where each country would have the same level of debt, the same public deficit, the same rate of inflation and the same interest rate, it would be possible to work from a "common till" and create a single currency.<sup>2</sup> This ideal gave birth to the criteria of convergence, a kind of guide indicating the direction to travel (see box on following page).

But during this transition, the free circulation of capital allowed by the Single Act always risks coming unglued under the impact of political and economic events and can compromise the whole EMS with too much activity on exchange markets. This is exactly what has just happened.

The recession has combined with the international globalisation of financial markets and the growth in the circulation

of capital within the EEC itself. Since relative exchange rates were regulated within the EMS, national governments applied to the system of interest rates the freedom of action that they previously had with their currencies. Increases in interest rates (beginning with the increase in German interest rates) became the main tool for each state to intervene to try and control the "main criteria" of inflation, the balance of payments and the total mass of money. The dynamic unleashed by this deepened recessionary tendencies by limiting access to investment and consumption credits.

The battle of interest rates can in this way artificially increase the value of a currency if capital flows into its market. This is what happened to the Spanish peseta, thereby restricting progress made through the increase in exports and then leading to the devaluation of September 1992.

In contrast, the British government decided to attempt "in isolation" an economic upturn through the growth of credit. It had to pursue an interest rate policy, but in a way opposite to that of the other countries: lower them significantly in exchange for leaving the EMS and devaluing the pound.

But you cannot go on playing with interest rates while pretending to expect nothing to occur in the area of monetary parity. The Maastricht Treaty said that there should be no further exchange rate readjustments in the two years leading up to monetary union. According to the calendar set up by the European Council, 1994 was to be the final stage for an eventual modification of relative exchange rates.

Given the persistent economic imbalances and the unequal effects of the crisis on the countries of the Community, everyone was expecting this final correction to take place at the beginning of 1993, particularly for the Italian lira, the Portuguese escudo and, without a doubt, also for the peseta and pound sterling. The market anticipated this probable decision and began to speculate in September 1992 on the "programmed" drop in the value of these currencies. In so doing, it accelerated movement and at the same time removed the Community's ability to control the process.

### **Virtuous Germany?**

The events of July 1993 have added new elements to the crisis. Germany was meant to play the role of the virtuous model, something which it is not now in the areas of inflation and public debt. This country now has an inflation rate of 4.5% and the Kohl government is planning to

reduce public spending by 25bn marks in 1994, 21bn marks of which is to be cut from the federal budget itself.

For its part, France has dug itself into a deep recession coupled with a considerable budgetary deficit, which will reach 330bn francs or 4.5% of GDP. At the same time, the productive investment of firms continues to decrease along with internal demand. Meanwhile, the "least virtuous" countries that left the EMS and devalued their currencies — Italy and Great Britain — have consequently got the upper hand in the area of export competition, thus further aggravating the French crisis. This time around, the French franc was not able to escape devaluation in relation to the German mark. Indeed, the franc was the primary target in this most recent speculative and monetary battle.

Thus, for holders of capital there was a great probability of crisis in the EMS, a system which does not free the individual states from their respective political and social responsibilities. With such a deep recession, each state is trying to find the recipe for avoiding a dangerous erosion of its social, economic and ideological authority.

At the same time, none of the various instruments of intervention are genuinely independent for there is no possible national response. What a government gains, for example, in the area of internal credit and consumption, it loses in the area of foreign debt after weakening its currency through a too rapid reduction of its interest rates. On the other hand, an obsession with the public deficit and debt leads to high interest rates which suffocate internal demand.

This is why the French government has been turning in circles for weeks and why its prime minister has adopted enigmatic expressions to describe the maintenance of high interest rates in defense of the "strong franc". The price to pay: a deepening of the recession and unemployment.

At the current level of crisis, the capacity of the central banks to intervene is progressively reduced. The Bundesbank spent 90bn marks in September 1992 to defend the Italian lira and the British pound. And this July it spent 60bn marks to "defend" the market parity of four other currencies, including the French franc and the Belgian

1. About \$14bn.

2. This would imply a "perfect market" in which identical mobility existed for capital and the work force. We know however that the European Community cannot repeat American history. It does not have the independent and sufficient budgetary means to cushion the local shocks. It has much less, for example, than Germany on its own, which spends 20% of its GDP to carry out unification. The mobility of labour in Europe is also hampered by cultural and linguistic problems.

## Criteria for European convergence

1. The achievement of a high degree of price stability. The rate of the growth of prices for consumption can be at the very most 1.5% higher than the average rate of the three least inflationist countries.
2. Manageable public finances. The ratio between the needs of financing public administrations and the Gross Domestic Product should not surpass 3%. The ratio between public debt and Gross Domestic Product should not surpass 60%.
3. Respect of the normal margins of fluctuation forecast by the EMS over at least the last two years. Each country should therefore not have devalued its currency outside the 2.25% margin.
4. The durable character of the convergence. One year before entry into monetary union, long-term public interest rates should not surpass by more than 2% the average interest rates of the three least inflationist countries.<sup>3</sup> ★

franc.<sup>4</sup> Germany ended up renouncing the use of its own reserves and the printing of money in defense of other currencies for fear of an increase of domestic inflation.

The new monetary agreement facilitates the task of central banks who in the old-rules EMS were obliged to intervene to keep all the currencies of the Community within their respective margin of fluctuation. They had to buy or sell currencies to keep rates within a range of 4.5%. In the new situation, these limits are only formal because each currency now has a "freedom" of 30% around its pivotal rate.

The "market" knows all this and anticipates. At least, this is the idealist presentation of the matter. But the "market" happens to be nothing more than a collection of financial institutions who have no reason to lose money. Indeed, they are generally given exactly the opposite task: to make money! It comes as no surprise that the American George Soros played with some \$10bn over three days to make \$1bn in profits or that Steve Hanke used his

Canadian pension funds a few months ago to make 500% profits by "breaking" the Finnish marka.

The system is actually quite simple: you "play" by taking a loan in the currency that you plan to weaken on the market by putting it up for sale; then you pay back the loan after having re-sold the same currency, but at a lower rate in relation to the "strong" currencies that you got in the resale. In the process, you pocket the profits.

Easy, yes, but the cost of admission to such a game on the speculative markets is now enormous. Everyday, almost \$1,000bn change hands on the exchange markets.<sup>5</sup> This is much more than the central banks can throw into the balance.

The last ten years have seen an intense diversification and a deep-going internationalisation of banking operations. This market is open 24 hours a day. It is computerised, decentralised and uncontrollable.<sup>6</sup>

In these times, a George Soros can get on television and announce the big joke he

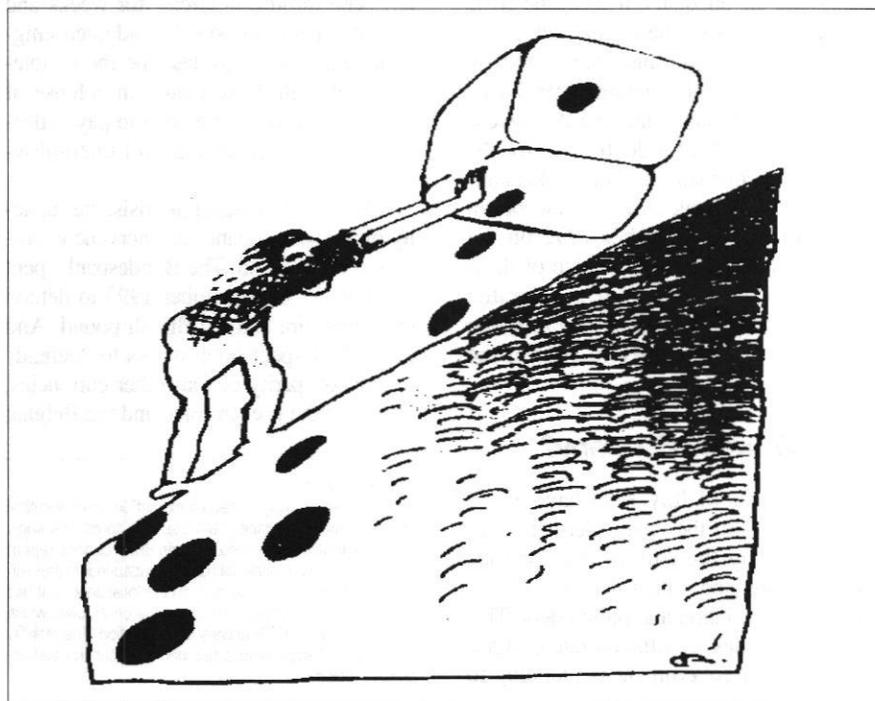
is in the process of playing on the European economies. The error, of course, would be to believe that only Helmut Kohl and a few others are affected by such hijinks. The free and legal activity of a Soros aggravates economic chaos and feeds the current social crises. From this point of view, Soros and his ilk are true assassins. But this financial mafia need not worry in a world where the law is precisely that of profit accumulated in such a fashion.

The monetary turbulence was also fed by firms which, worried about the resilience of their treasuries to the impending monetary instability, sought to change the composition of their reserves. This was also the case of "non-residents" holding shares in the French, Spanish and Belgian public debts in the form of state bonds and who bailed out before the currencies in question could depreciate.<sup>7</sup>

The monetary earthquake underlines the seriousness of the current socio-economic crisis. To begin with, the schema was essentially the following: a reduction of inflation that allows for a reduction of interest rates and then a way-out of the recession through a growth of investments and consumer credits, and finally the reduction of the public debt. At the same time, this "competitive deflation" was meant to restore the competitiveness of firms which have to control their costs (particularly salaries) and increase their self-financing capacity, given the high cost of bank credit.

For the moment, though, the depth of the recession itself has spoiled all these calculations since it adversely affects both ends of this linear reasoning, in that it weakens demand and makes productive investment that much more risky.

In October, a European Council meeting is going to take place, and it will cer-



3. For example, to mention only those currencies fixed to the German mark, Belgium today has a public debt equal to 129.4% of its GDP; and the Netherlands has a budgetary deficit of 4.4% of GDP and a debt equal to 78.4% of GDP.

4. The Belgian franc, even if it is fixed to the German mark, has not escaped attack as a result of the depth of the recession in the country. On July 29, it fell 1.35% below its pivotal rate in relation to the mark, although usually it does not do so by more than 0.30%. The Bank of France, for its part, spent some 250bn to 300bn in foreign currencies — primarily borrowed marks — to defend the franc. It now has to rebuild its reserves. It is in part because of this weakening of the holdings of central banks that a range greater than 15% was chosen, a range wide enough that it limits the risks of another obligatory intervention of mutual solidarity of the kind that the EMS imposes on paper. New attacks on one or several currencies would therefore provoke devaluations.

5. In normal times, only 7% of this amount involves currencies of the EMS. In July, however, the proportion was much higher.

6. It is quite incredible that negotiators in Brussels (governments and central bank governors) had to reach agreement before 1 o'clock in the morning — before the opening of the Tokyo stock market!

7. Non-residents hold 500bn francs of the French debt in the form of bonds. Many among them have no interest in keeping such unstable holdings.

## **The stages of the Maastricht Treaty**

**The first phase is now underway. It was meant to be the phase of harmonising the countries along the criteria for convergence. The second phase was to begin on January 1, 1994 with the setting up of a European monetary institute: there is growing convergence, but changes of parity are still possible at the beginning of this period.**

**December 31, 1996 was meant to be the final date for deciding the conditions and final date for moving to a common currency, that is to say to the third phase. The establishment of a European bank and a "system of national central banks" is supposed to be set up by July 1, 1998 at the very latest.**

**January 1, 1999 is set as the final step: introduction of a common currency for the countries which have crossed all the obstacles! At that time, the other countries will have to request membership under new conditions. ★**

tainly "congratulate" itself for the ratification of the Maastricht Treaty by all the member countries! But it is now an established fact that not a single one of the governments has been able to meet the famous convergence criteria set out two years ago. Not one, for example, has managed to stop the growth of its public debt nor that of its budgetary deficit.

On average, the interest on public debt represented 3.1% of Gross Domestic Product (GDP) among EEC countries between 1974 and 1983. This figure was 5.2% in 1992<sup>8</sup> — with 10.9% for Belgium and 10.7% for Italy.

As regards budgetary deficit, it is above 3% of GDP in all countries except Luxembourg. Between 1990 and 1992, the public deficit of the Germany-France-Benelux-Denmark group went from 3.1% to 4.7% of GDP. The average would be, for the entire EEC, 6.25%. Worse, certain countries which in 1990 remained within the limits set by Maastricht no longer did so in 1992. This is the case of Britain, France and Denmark.

The phenomenon of significant state indebtedness is certainly not new. But today the global deficit of public administrations is almost everywhere higher than what it should be to allow for stabilising the debt and payments on it. As a result, there has been a snowball effect and governments hardly have any room for manoeuvre, and do not have the means for a stimulating an economic upturn through public spending.

Governments are trying to get out of this fix with privatisations, which they no longer even bother to clothe in liberal ideology. Nobody hides the fact that it is simply a matter of finding money!

It should be recalled that the second phase of European Union was to begin on January 1, 1994. This phase is meant to put in place a European monetary institution that strengthens cooperation between the central banks and favours the coordination of economic policies! That would mean establishing a quick and definitive stabilisation of exchange rates at the beginning at the beginning of the second phase. The events of July have spoiled this schedule somewhat.

After having first pretended that the schedule would be respected, people like Helmut Kohl finally raised the probability of a delay in the calendar for monetary union.

We have spoken many times in these pages of the stakes involved with the EMU for European governments: the race against the dangers of recession and against international monetary instability; and the urgent need of exchange rate stabi-

lity to keep up with the growing scope of trade within the EEC. The EMU is in part, and from the point of view of the general interests of capitalism, a corrective to the "liberalism" of the Single Act of 1986, and not the opposite.<sup>9</sup>

But if there is a need to bury the EMS and the Maastricht, there is also a need to quickly bury the "big market" and the Common Agricultural Policy (CAP). Lest we forget, the real origin of Maastricht is the Single Act!

In 1992, the proportion of exports destined for other EEC countries was 62.7% for France, 55% for Germany, 58.4% for Italy and 56% for Britain. If we include the countries of the European Free Trade Association (which includes non-EEC West European countries such as Sweden, Austria and Switzerland) the share of exports destined for other European countries is clearly even more spectacular: 68.9% for France and 70.2% for Germany.<sup>10</sup>

This is a worldwide phenomenon of growth of trade between the most industrialised countries, which mutually exchange equipment, finished products and technology. But a specifically European dimension has been added, especially after the signing of the Single Act. According to Community statistics, trade between the twelve signatory countries has gone from 35% of their total trade in 1958, to 49% in 1980, to 60% in 1990.

This is the main contradiction. Can such commercial dependence survive within the framework of floating exchange rates? Can the industrial bourgeoisie continue along this — rather profitable — path while having lost guarantees on the rate of exchange?

This is unlikely — thus the need to choose between two possible alternatives. On the one hand, the needs of trade and the fear of the collapse of the whole system can win the day and governments will try to stick to their previous objectives by agreeing to a different pace.<sup>11</sup> On the other hand, the whole things could collapse and

the Single Act and the CAP would explode.<sup>12</sup> There cannot be free circulation of capital and goods in a situation of monetary chaos.<sup>13</sup> Such a situation could only lead to national protectionism and to chaotic battles with the background of "worldwide globalisation".

Insofar as the project of Economic and Monetary Union remains essential for the general interests of capitalism, the second scenario — entirely possible in the current international context — would provoke a series of important crises of politics and states.

There is every reason to treat the events of July with the utmost seriousness. The next European Council meeting will take place on October 29. It will doubtless have the task of redefining the old boundaries of monetary and economic union. But even more seriously, European governments will have to revise their social and budgetary policies.

It is in this area that working people and the unemployed will be made to pay for July's monetary crisis. ★

8. Outside Portugal and Spain.

9. Certain reformist opponents of the Maastricht Treaty forget to point out that the freedom of circulation of capital and the disappearance of exchange controls date from the signing of the Single Act and not from the project of monetary union. The problem is that many among them (in Denmark, France and Italy, for example) voted in favour of the Single Act and never gone back on this decision.

10. This does not prevent a number of journalists from speaking of German plans to make a solo turn towards Eastern Europe!

11. There is certainly talk of a smaller EMU with certain countries — but which ones? — and London is floating its idea of a common "hard European currency unit" (ecu) circulating parallel to national currencies. This solution actually just adds another step but doesn't solve anything with respect to the transitional and thus unstable character of the EMS — unless exchange controls are reintroduced.

12. This was quickly confirmed by the German request for agreement on "green" prices. After the flotation of currencies the Bonn government fears a loss of revenue for its farmers.

13. It was wrong to present the EEC of the Single Act and the big market as a simple free trade zone. Until now, the discipline of the EMS has made it a much more structured and regulated arrangement.

# Collective punishment again

ON July 31 at 6PM, a ceasefire went into effect in Lebanon. Through the good offices of American Secretary of State Warren Christopher, Israel pledged to stop bombing points to the north of the "security zone" — in exchange for which Syria promised to use its influence to get Hezbollah to commit itself to stop bombing Israeli territory.

**TIKVA HONIG-PARNASS & MICHEL WARSCHAWSKI**

— Jerusalem, August 24, 1993

THE rules of the game have been re-established", declared an Israeli spokesperson, adding, "we cannot tolerate that inhabitants in the north of the country are the hostages of Hezbollah." This is a flagrant untruth: the inhabitants of Galilee were bombed by the Hezbollah in response to the bombing by the Israeli airforce and artillery of Lebanese areas north of the "security zone".

Much ado about nothing? It would be nice to think so, were it not for the hundreds of thousands of Lebanese victims — killed, mutilated or forced to flee their villages, with thousands of houses destroyed. Indeed, contrary to the declarations of the spokesperson of the Israeli army, who said that only about 100 houses had been destroyed, the aggression ravaged the south of Lebanon.

The Israeli artillery has bragged about firing 70,000 shells, and the commander of the airforce has spoken about more than 1,200 attacks. So if only 100 houses were destroyed, the Israeli High Command should bring its superior officers up on Court Martial for having wasted so much ammunition!

The daily *Haaretz* is closer to reality when it says, "Israeli attacks reduced the city of Nabatiye to ruins, where only a few houses remained intact, as well as 70% of the villages of Jibshit, Majdal, Solom and Jeb'a".<sup>1</sup> As far as the 300,000 refugees are concerned, Prime Minister Rabin himself recognises the facts without for all that pleading guilty for war crimes.

But how else can the operation "settling scores" be described when the prime minister himself explains before the Defense Committee of the Knesset, "Our goal is to transfer the inhabitants of south Lebanon to the region of Beirut, and to make 200,000 people refugees. To be sure, this is not for any old inhabitant or villager, but for those who come from 'stubborn' regions which

support the Hezbollah."<sup>2</sup>

And the military commentator of the daily *Hadashot* can assert, without any risk of being in error, that, "The third phase (the massive expulsion from the southern villages) was clearly inscribed in the operational plan where it is explicitly stated that the expulsion of the local population is at the heart of phase 3. This is neither my estimation nor a dishonest shift of the original objectives. It was the stated goal."<sup>3</sup>

Settling scores with the Shi'ite population of southern Lebanon, and using it to pressure the Lebanese government — this all corresponds exactly to what The Hague Convention and Nuremberg trial define as war crimes. *Hadashot* journalist Reli Tadmor writes, "This government is guilty of war crimes on the basis of its own admissions. We have nothing to prove."

The objective of operation "Settling scores" strangely recall that of the Gulf War: a massive use of firepower to terrorise civilian populations and punish them for supporting or tolerating those who the aggressors consider to be their enemies, thereby forcing civilians to reject them.

## A continuous war crime

But this method dates back to a time well before the Gulf War. The reserve general Avigdor Kahalani, Labour Party deputy and mayoral candidate in Tel Aviv, recalls that already in 1968-69 the Israeli artillery "transformed the east bank of the Jordan River valley into a desert, to convince the Jordanian government that it should take measures [against Palestinian commandos]."

He adds, "I suggest that you not underestimate the trauma through which the populations of the south will go once they have returned to their communities. Some will find they no longer have a house; others that they no longer have a road — these memories will remain very powerful."

In 1970, General Dayan gave the order to totally destroy the towns of the Suez and Ismaelia to end the war of attrition that the Egyptian army was waging over the Suez Canal. There were more than 70,000 refugees. As for Rabin, during the war in Lebanon he advised Ariel Sharon to starve out the civilian population of Beirut until they obliged the PLO to leave the city.

So we are not only dealing with a government of war criminals, but with a terrorist state and an army whose entire history is that of one continuous war crime.

In Israel, there has been no real opposition to these war crimes. Of course, some voices of protest were heard in the government and the Knesset but they were neither persistent nor unequivocal.

This past week, three blocs have been perceivable within the coalition: Rabin's supporters, who are the majority; the three Labour party ministers who abstained (Labour and Welfare Minister Ora Namir, Justice Minister David Liba'i, and Tourism Minister Uzi Bar'am); and the four Meretz ministers, led by Yossi Sarid, who on Sunday expressed their opposition to the government's approval of the Security Cabinet's decision from its session on the previous Friday — at which Meretz members, Absorption minister Ya'r Tsaban and Shulamit Aloni, had abstained — and Shas party minister Aryeh Der'i.

The press has been full of commentators' doubts regarding the "effectiveness" and "wisdom" of the operation, and of its chances of success, and a few of them even have raised questions as to the morality of destroying entire villages and expelling hundreds of thousands of their inhabitants. And of course the parties with whose help the ruling coalition is able to maintain its "blocking majority" — Hadash and the Arab parties — came out in unequivocal opposition to the military operation, as did Gush Shalom, a new radical section of the Israeli peace movement. But in general, the Israeli people have supported the operation: a weekend survey showed that 93% of the public support the way in which the operation was conducted in Lebanon.<sup>4</sup>

However, Hadash has not announced the withdrawal of its support for the govern-

1. *Ha'aretz*, July 30, 1993.

2. Zeev Schiff, *Ha'aretz*, July 28, 1993.

3. Alex Fishman, *Hadashot*, July 30, 1993.

4. *Ha'aretz*, August 3, 1993.

ment in the wake of its crimes. Opposition from Meretz has been even more limited, both in the content and the forcefulness of its reactions. The majority of the Meretz caucus was critical of the expulsion of citizens and the bombing of Lebanese villages, but they too believe that it is necessary to "hit Hezbollah", ignoring the significance of the fact that it is a movement of resistance to Israeli occupation.

But the Meretz members did little or nothing — besides their opposition and laconic responses to journalists' questions — to make their views public or to attempt to mobilise public opinion against the war. And of course their formal opposition within the governing coalition was not accompanied by a forceful expression of their stand, for fear of endangering their membership in it.

In criticism of this approach from the ranks of Meretz activists, and in response to their growing demand — which reached its peak on the fourth day of the war — that their representatives either leave the coalition in protest or submit an ultimatum that they would leave if the bombing of the civilian population was not halted, the Meretz cabinet members said that they were exercising influence on the government positions "from within".

One week after the signing of the ceasefire agreement with Hezbollah, nine soldiers had already fallen in ambushes in south Lebanon. One can understand the critical attitude of the Israeli public which, after having overwhelmingly supported the aggression, is beginning to understand that the week-long storm of fire and steel over Lebanon has changed nothing for Israel and its army.

Government propaganda is now trying to present the "settling of scores" operation as one that was destined to put an end to the rocket attacks on Galilee. But, as all the experts have recognised, these rocket attacks were nothing more than a response to a new stage of Israeli aggression in Lebanon — that is, the systematic bombing of Lebanese territory to the north of the Israeli-occupied zone, carried out as a way to pressure Lebanese and Palestinian commandos whose activities in the Israeli-controlled zone are increasingly effective.

### **Hezbollah ingenuity**

As the foremost Israeli military expert, Zeev Schiff, has noted, "Three months ago, one of my articles provoked some controversy in the army, because I asserted that Hezbollah had significantly improved from a military standpoint, displaying remarkable courage and ingenuity. And this evaluation has become even more accurate; while in

1990 the ratio of fallen Israeli soldiers to fallen Hezbollah combatants was 1:5.2, since 1992 it has declined to 1:1.7."<sup>5</sup>

For the Lebanese resistance, and particularly for members of Hezbollah, the war of liberation waged against the South Lebanese Army (SLA) and Tsahal in the "security zone" was limited to this territory, and it is Israel that, confronted with the effectiveness of the guerrilla, made the decision to strike at the civilian population outside the security zone. In response, Hezbollah declared, "If the Lebanese population to the north of the security zone is no longer safe, then the Israeli population to the south of this zone will no longer be so either."

The ceasefire agreement secured a promise from Israel to stop bombing to the north of the "security zone" — exactly what had been requested by Hezbollah, which no longer has any reason to bomb Naharya and Kiryat Shmone.

On the other hand, the guerrilla war continues in south Lebanon, with the same effectiveness discussed by Schiff, who adds, "The military situation [in south Lebanon] is not good. If Hezbollah can lay down so many mines and other explosives, this means that Hezbollah commandos can penetrate into the security zone as they like with hundreds of kilograms of explosives, set them up and then retreat back into the north. If we also consider the fact that often they can carry out daytime attacks lasting several hours on SLA bases, this means that we have a military problem."

The nine soldiers who have fallen since the signing of the ceasefire agreement are a real problem for the Rabin government. Public opinion does not like to see soldiers dying at the front, and the right is accusing the government and High Command of softness.

But the government and army have committed themselves to not react to the north of the security zone, under the pressure of inhabitants of northern Israel who are not ready to go back into the shelters or to withstand the rocket attacks. And nobody wants to see the conflict enlarge into one involving the infantry — due to the real risk of there being victims in the ranks of the Israeli army.

This is precisely the problem that the government and High Command have come up against: Israeli public opinion no longer has the capacity to resist that it still had some 15 years ago. As the commentator Uzi Benziman has accurately observed, "[Army chief] Ehud Barak and his colleagues do not hide their feeling that the resistance of Israeli citizens has eroded, and that we are no longer able to muster up the same spirit of sacrifice in the face of the unfortunate victims whom we used to see as an additional

tax on our existence.

"There are several reasons for the change of attitude in the Israeli population: fatigue, the aspiration towards a normal life without perpetual mourning, and the hope of taking advantage of the end of the super-power conflict which accompanied the Arab-Israeli conflict for decades. But what has had the greatest impact has been the feeling that an agreement with our neighbours is an imminent possibility. When peace is within arm's reach, people's attitude changes, as do their priorities."<sup>6</sup>

### **Right attacks Rabin**

The right is also aware of this change, and accuses the government of feeding into popular weakness. A spokesperson for the Council of Colonies in the Occupied Territories, Israël Harel, said so clearly in a widely-read opinion piece in which he attacks Prime Minister Rabin for his weakness. Harel writes, "The chickens have come home to roost for those who panicked in the face of pressures from Meretz and the media to quickly put an end to the 'settling of scores' operation, and those who didn't have the courage and patience to get the maximum out of it.

"Those who did not dare to demand a halt to Hezbollah operations in the security zone are responsible for the real tragedy [the death of 8 Israeli soldiers in an ambush]. This is another rotten fruit that has fallen on our heads because the tired nerves of the prime minister cracked in the face of the whining of inhabitants in the north 'who could take no more'.<sup>7</sup>

For Harel and his ilk, Greater Israel justifies all sacrifices, and any blood that flows is oil for the wheels of the history of Zionism redemption. But they are in a minority today, and Benziman is much closer to the Israeli reality of the 1990s when he ends his analysis by calling on Rabin to speed up negotiations with Syria and prepare a withdrawal from occupied south Lebanon.

He adds, "even those who are not defeatists have the right to question a policy which creates [Israeli] victims in order to preserve the security zone — and this at a time when an agreement with Syria that would also cover Israeli-Lebanese border problems is within reach. Why not make every effort to conclude, within the framework of the peace negotiations, an agreement with Syria that would propose security measures that could replace the security zone and the conception behind it?" ★

5. *Ha'aretz*, July 23, 1993.

6. *Ha'aretz*, July 22, 1993.

7. Israël Harel, *Ha'aretz*, August 23, 1993.

# In the wake of a decade lost

**INTRODUCTION** — The fourth meeting of the São Paulo Forum took place in Havana, Cuba, on July 21-24. It was an opportunity to check and reflect on the tasks facing the left in Latin America, in an international situation that is characterised by great economic, political and social disequilibrium — a situation that is the product of both the crisis of capitalism and the collapse of the “socialist camp”.

Compared with previous meetings (in Brazil, Mexico and Nicaragua), this meeting signified a quantitative and qualitative step forward. In particular we would note the incorporation of the principal left forces from the Caribbean and the specific debates that were upper most in peoples minds:

- The political situation.
- The economy and society in Latin America.
- The relationship between democracy, parties, social movements and the state.

Furthermore, we should note the importance of the presence of leading members of the Cuban government, in particular Fidel Castro. This presented a unique opportunity to discuss the situation — past and present — in Cuba: the economic situation, their vision of democracy, and the foreign policy of a revolutionary government.

The articles that we are publishing — The final declaration; a balance sheet of the meeting from a leader of the Mexican PRT's delegation (section of the Fourth International); the conference speech of the Brazilian PT's international secretary, Marco Aurelio García; and one of the two texts that was presented to the meeting by the Mexican PRT — can be considered initial contributions in the process of renewing revolutionary thought and practice in adverse international conditions. — **Alfonso Moro** ★

TEN years have passed since the outbreak of the debt crisis that held the international financial system in suspense — and which led Latin America into the most deep-going process of capitalist restructuring seen in the post-WWII period. International financial agencies and the government of the continent do not miss an opportunity to assert that the final years of the 20th century will be years of economic recovery — a result of the consolidation of the “structural changes” that the region has endured.

**ALFONSO MORO** — July 21, 1993

**T**HE basis for such an assertion lies in the argument that neo-liberal fundamentalism has defeated the interventionist and wasteful populist state, and that today there is no more room for an alternative project to savage capitalism; and even less so for a project that hopes to meet the basic needs of our peoples.

But this so-called victory is far from complete, and can only be considered a victory if one forgets the social, economic, political and ecological costs that Latin America is paying and if one ignores the balance sheet of 12 years of monetarist policies throughout the world. In this area, the Latin American left has much to say and even more to do — on the condition that it breaks with a kind of original sin, that of statism.

Since the beginning of the 1970s, international capitalism has been going through a long period of reduced growth in the rate of profit — characterised by higher rates of inflation, the appearance of generalised crises (1973-75 and 1980-82), as well as by the huge growth of the financial-speculative sphere compared to that of the productive sphere and the unprecedented growth of corruption and “new” branches of “production” such as the drug trade.

These elements are constants that can be found from Tokyo to the Vatican. The economic growth that was seen in the imperialist countries between 1980 and 1982 in the whole of the imperialist world can be explained, fundamentally, by the process of restructuring of the workplace (which continues) — a process that has increased the rate of surplus value, eroded the weight and power that workers had in the factories, thereby weakening unions and their ability to intervene.

The growth was also due to the in-

crease in public debt, that has led to the generalised indebtedness of states and the uninterrupted pillaging of the social surplus of the so-called “Third World” which, in the case of our continent, meant that throughout the 1980s more than \$400bn were transferred to the imperialist countries to service the foreign debt. Such transfers of wealth also resulted from the deterioration of the terms of exchange for Latin America's export products on the world market.

Indeed, it is no exaggeration to say that, as in other periods of the development of capitalism, our countries financed the restructuring of production — only to then become its victims.

The economic policies of social austerity and deregulation applied in the name of the free market explain, in part, the severity of the new crisis that appeared in 1989 and which one by one struck all the imperialist countries. They also are to blame for the fact that today in these same imperialist countries there are more than 50 million people without work.

We are not only seeing the deepening of the “north-south” conflict, but also the globalisation of the capitalist economy, whose worst effects are being spread out across the world. The triumphs of the International Monetary Fund (IMF) and the World Bank take place in countries in which the traditional economy has been destroyed, resulting in an incredible growth of misery and hunger.

There can be nothing more pathetic than the demands placed on Somalia, a few years ago, to apply a readjustment plan with the aim of plugging it into the world market — or the now accepted conclusion that there are expendable countries whose disappearance would in no way affect the world market.

At the same time, after 12 years of

monetarist measures and neo-conservative ideology, neo-liberal fundamentalism proved itself unable to get capitalism out of its economic crisis — which explains why it is now falling out of favour. The majority of European governments, alongside the Japanese and American governments, are now trying to revive growth with short-term neo-Keynesian measures, giving a new boost both to protectionism and the idea of state intervention as a general economic regulator.

Nevertheless, the problem remains: there will be no genuine and lasting revival unless the rate of profit rises substantially, which means that austerity measures against working people will continue to be implemented with as much or more vigour than before.

### **Destination unknown**

It is in this context that the triumphant march of what, immediately after the Gulf War, came to be known as the “New World Order” appears more as a long march whose final destination nobody can foresee.

The rise and accelerated growth in the number of new economic blocks, under the dominion of the big imperialist powers, represent not only attempts to achieve a new redistribution of zones under their influence. They also tend to increase the number of trade wars and to condemn entire regions to the margin of the world market, regions that cannot guarantee even minimum development for their inhabitants.

Nevertheless, the very existence of this trade war (such has never before existed) creates a series of contradictions which our countries could take advantage of — on the condition that they break from the restructuring programme while demanding national sovereignty and a new kind of international economic integration.

Everyone knows about the effects of the lost decade in Latin America. A drop in the Gross National Product (GNP), a major decrease in per capita production, a generalised deterioration of the social infrastructure, runaway inflation, a net transfer of capital in the direction of the imperialist countries, a qualitative degradation of culture and education, an algebraic increase in the number of zones of misery, and the reappearance of medieval diseases.

In several cases, the so-called policies of structural adjustment applied in Latin America came before the external debt crisis of 1982. A few years ago, there was a common error in the Latin American left

that blamed the IMF and the World Bank for these policies, leaving aside the central role played by Latin American capital and governments, whether Christian Democrat, Social Democrat or so-called “populist” governments.

This error had — and has — practical consequences. It ignores a central element of the problem: the fact that the absolute majority of the Latin American bourgeoisie and their governments are in favour of these policies, and differences exist in respect only to the rhythm of application. The social and economic bases of the old system of political rule and capital accumulation no longer gave any use for them; this is the strength and weakness of their project.

The strength of the project results from the fact that this offensive coincides with the attack that has been carried out against the workers of the imperialist countries since the 1982 crisis — an attack that the working class leadership has not been able to find sufficient resistance to oppose, in spite of big struggles that were waged at the beginning of the decade such as those of the air traffic controllers in the USA in 1981, the revolt of the British miners in 1984-85, or the struggle of Fiat workers in Italy in defense of the sliding scale of wages. Indeed, all these struggles ended in defeat.

The project’s weakness lie in the disintegration of the former social pacts which emerged in most countries of the region in the 1940s, social pacts which led to the consolidation of the very systems of political that are now in crisis. This is the case in Mexico, Colombia, Peru, Argentina and Bolivia, among others, and the bourgeoisies

of these countries have not been able to find a long-term alternative to fill the void.

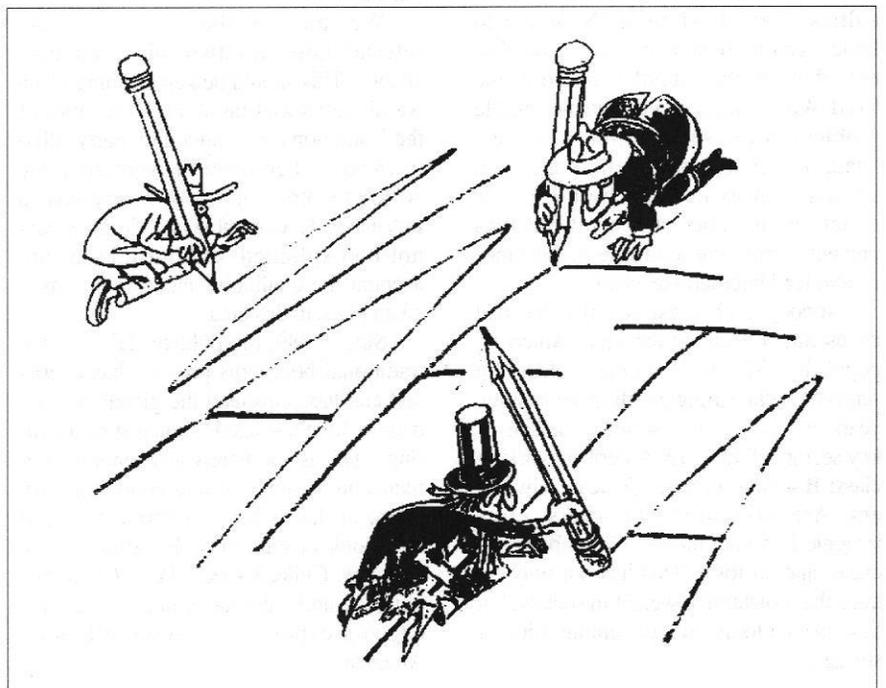
As a result, contrary to their hopes, economic, political and social instability is a constant in the region and nobody can seriously claim that this will change in the foreseeable future.

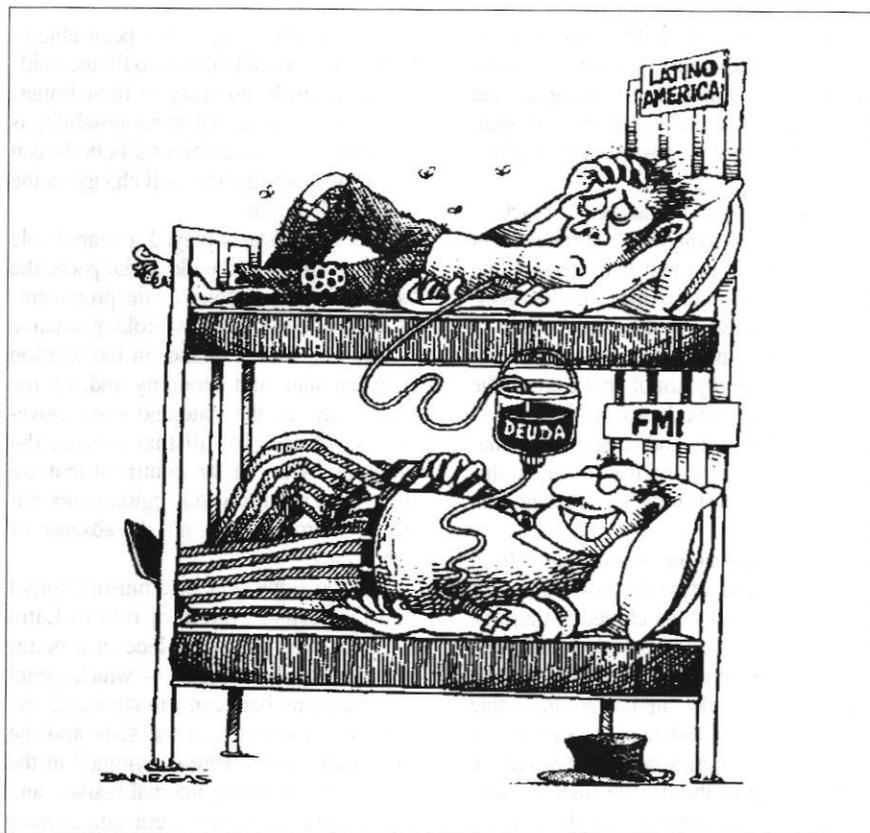
Insofar as states played a central role in the assembly of the old social pacts, the “state reform” promoted by the proponents of liberalism implies a two-fold qualitative change: on the one hand, in the relation between state and economy and, on the other, between the state and mass movements, without for all that solving the worst problems of the continent that are the growth of misery, the region’s subordination to imperialism and the absence of democracy.

At the same time, we mustn’t forget that the former system of rule in Latin America was put into place in a better world economic situation — which meant that relations between the state and the economy and between the state and the mass movements were determined in the context of a growing internal market, and the growth of employment and certain mechanisms of income distribution.

Three years ago, in July 1990, the first declaration of the São Paulo Forum correctly took a stand in regard to the risks that George Bush’s “Initiative for the Americas” project represented, given its expansionist and profoundly anti-democratic character and its opposition “to the real interests of economic and social development of our region.”

Today, we must recognise that for the most part this proposal has evaporated into thin air. From the beginning, the fate of





this "initiative" was laughable, but matters are more complicated now with Clinton in power. On the one hand, the American ruling class is divided over the usefulness of the Free Trade Agreement with Mexico and Canada. On the other, the number one priority of the current administration is the restructuring of the domestic economy.

### Monetarism losing force

The monetarist fundamentalism of the last decade is now losing force. The difficulties of establishing a "New World Order" can be seen across the globe. The breakdown of the old order created by the Cold War produced an insurmountable problem in the short-term: on the one hand, imperialism (primarily American, given its military might) is freer than ever to act; on the other, its own difficulties prevent it from consolidating its hegemony and feed international chaos.

Nobody doubts that the crisis has had devastating effects on the Latin American population. This has led to the defeat of a series of social struggles. Over the last few years, we have seen a series of defeats of key sectors of the Latin American working class: Bolivian miners, Mexican oilworkers, Argentinian steelworkers, class struggle Peruvian unions, Colombian teachers, and so forth. This has not only reduce the proletariat's weight in society, but has also led to the loss of centralisation of struggles.

We have seen the advance of the most destructive elements of capitalism: the extinction of the indigenous peoples of the Amazon basin; the daily contamination of the waters of the Rio Bravo, the Suchiate and the Amazon; the deforestation of millions of hectares of forest across the continent; and the systematic destruction of the culture, traditions and history of our peoples through the monopoly on the mass media, which daily seek to convince us that there is no possible alternative to capitalism.

We said that the so-called "state reform" implied a two-fold qualitative change. This should be kept in mind when we discuss social instability. The crisis of the Institutional Revolutionary Party (PRI) in Mexico, Peronism in Argentina, the APRA in Peru, and the two-party system in Venezuela, Colombia and Uruguay cannot be explained without taking into account the qualitative changes that have taken place in this area.

Since 1989, the political crisis of the traditional bourgeois projects has deepened and has prevented the global consolidation of the so-called "capitalist restructuring". This is not merely an economic problem, but a political and economic problem, in that order. For proof, we need only look at Paraguay, Panama, Brazil, Uruguay, Chile, Mexico, Peru, Colombia, Uruguay and Venezuela, not to forget the ongoing explosive situation in Central America.

A Cardenist victory in Mexico, a Lula victory in Brazil or a Broad Front (FA) victory in Uruguay would immediately mean a change in the relationship of forces. They would face enormous difficulties, but it would also be possible to consolidate changes. There have to be changes in a series of countries to break the logic of imperialist domination.

The victory of progressive forces will not immediately mean a global change of capital's power, but it would create better conditions for the poor of our continent and, without a doubt, an incomparably better situation for fighting the American's policy of strangling the Cuban revolution.

For this reason, the São Paulo Forum should pay close attention to the electoral processes that will take place at the end of 1993 and throughout 1994. These elections will probably forge a process of reorganization of the Latin American left.

The São Paulo Forum, initiated by the Brazilian Workers Party (PT) in 1990, has justifiably sparked interest well beyond the borders of Latin America. It has demonstrated that the various currents of the left in the region are able to sit down and discuss and try to understand the changes that have taken place since the disappearance of the "socialist camp".

The Forum, in spite of all its weaknesses, provides a common place for discussion and exchange, which is pluralist and democratic. This must be preserved. If anyone has been excluded, this is as a result of their own decision. Attempts to force decisions or skip stages only weaken the Forum.

The current pluralism can be seen as its weakness but, above all, as its strength. In many ways, a new political culture, free of hegemony and leading parties, is being born — one which recognises our agreements and differences, in the knowledge that these differences are inevitable, and, why not say it, to be welcomed.

### In defense of Cuba

We believe, nevertheless, that this should not be an impediment for reaching agreement between all members of the Forum in defense of the Cuban revolution. This means being openly against the criminal blockade that Yankee imperialism has imposed on the Cuban people for over 30 years, no matter what appreciation one might have of the policies applied by the revolutionary government.

The defense of this revolution means denouncing the hypocrisy that guides all of our governments, as it means organising broad and united solidarity campaigns in every country. ★

# Meeting the challenge

ONE year after the third meeting of the São Paulo Forum, the political scene in Latin America has gone through significant changes.

**MARCO AURELIO** — Havana, July 22, 1993

**I**n two Latin American countries, Venezuela and Brazil, two presidents were constitutionally dismissed as a result of major mass mobilisations. Popular mobilisation also prevented an attempted coup d'état in Guatemala. The last twelve months have revealed the considerable problems of neo-liberalism throughout the continent.

Until 1992, neo-liberal measures did not encounter any obstacles. The persistence of neo-liberal hegemony led to the deepening of the social crisis in the whole continent. The presence of poverty has deepened throughout the continent, and no longer escapes the attention of international organisations, whether it is the UN or the BID. The World Bank, among others, even had a major role in the recently concluded Third Ibero-American Summit in Salvador de Bahia in Brazil.

The worsening of the social situation is now the greatest danger in relation to the fragile democratic structures of the continent, which were only set up in most countries after the failure of the military dictatorships of the 1970s to the beginning of the 1980s. To confront these problems has become one of the central challenges for democratic and socialist forces in Latin America. In particular, as these forces are preparing for elections over the next 18 months, elections which could radically alter the situation on the continent.

The definition of a national democratic programme and of an alternative programme of continental integration is a central task for our organisations. It is not only the future of Latin America at the end of the century that depends on our errors and successes; at the same time, there is that of the whole New World Order.

Now to go into these general themes in a more detailed fashion. I want to tell you that, beyond my own political limitations, the considerations I will make have two further weaknesses. First, the problem of time; the other is that mine is a rather South American perspective, based furthermore largely on Brazil. The constitutional dismissal of Collor in Brazil and

Perez in Venezuela were preceded by major mass mobilisations and constituted severe blows for the policies of neo-liberalism that these two presidents tried to apply in their respective countries.

Even if the dismissal of both of them had its origin in their involvement in corruption, there is not even the slightest doubt that they were fuelled by the population's rejection of their economic policy and even that of rather important sectors of the entrepreneurial sectors. This is how to understand the rather large coalition that was formed against the two presidents. In the other countries of the region, those in government continue to commit even more serious crimes of corruption than what was seen in Brazil.

But the fact that this kind of government also wants to establish a certain macro-economic equilibrium, particularly when it comes to keeping inflation down, explains why there were not the same mobilisations there from the population, entrepreneurial sectors or political circles. Uruguay is an exception; the refusal of neo-liberalism is much more direct and explicit. The proposal of the Uruguayan left that won the referendum of December 1992 on the question of privatisation is a rather significant expression of the rise in popular consciousness against neo-liberalism.

The result of the American elections, which put an end to 12 years of Republican governments, did not go unnoticed by the Latin American masses. Without going into the causes and implications of Clinton's election, we can say that a large layer of Americans cast their vote against the policies of Bush and Reagan, both of whom were responsible for the huge concentration of wealth in the United States and for the deterioration of education, health care and those mechanisms meant to protect the most vulnerable sectors of the population.

This situation has begun to have repercussions throughout Latin America, however slowly. But without a doubt, we have to seek out an explanation and find an

alternative to this whole problematic. There are other factors to keep in mind: now that the euphoria for the initial successes of the neo-liberal adjustment programmes in many countries of the region subsides, the real meaning of these programmes is becoming clear, in particular when we see the problem beyond the short-term and we find ourselves faced with problems of a structural nature.

The tremendous trade deficits of Mexico and Argentina are two model examples of the consequences of neo-liberal policies, along with the signs of commercial disequilibrium in Chile — reflecting the problems of the policy of anarchic free trade for the industrial sectors of our countries, which are now going through a major process of de-industrialisation.

There will be no surprise if governments in the different countries of the region are obliged to use protectionist measures which up until now have been criticised — in order to save these countries from bankruptcy. Protectionist proposals can be seen among significant sectors of the Brazilian capitalist class, for example, which is afraid of the de-industrialisation which has been deepened by the policies of the Itamar Franco government.

On the other hand, the government of the United States has been increasingly aggressive in its relations with the countries of Latin America and the EEC in the areas of intellectual property, and has taken retaliatory measures against the different industrial sectors which, coincidentally, are in competition with increasingly uncompetitive sectors of the American economy. This is the case of the steel, textiles, clothing and other industries — but the important point is that of the social effects.

In all the countries of the region where neo-liberal policies continue to be applied, with or without resistance, there is a stagnation of employment and even a considerable increase of actual job loss — such as in Brazil and Argentina. Even when there is growth in GDP, such as is the case today in Brazil, this growth does not produce new employment.

On the contrary, in many cases the growth of industry, agriculture and services occurs alongside a sharp drop in employment. This type of situation is not limited to Latin America, and it can be



seen in Europe and the United States — which displays the fundamentally perverse nature of capitalism, particularly since it entered into the third industrial revolution.

All this makes it clearer than ever that it is necessary to have an anti-capitalist perspective for the left. At the same time, it underscores the need for socialist practice and thought to formulate an alternative project to capitalism. This project must keep in mind not only the developments that followed the fall of bureaucratic socialism but also the transformation that the world economy underwent of an international social and political nature, and also the changes in the area of political culture.

### **Contradictory globalisation**

All this is part of the rather contradictory phenomenon of a so-called globalisation alongside the resurgence of nationalism, of ethnic and religious fundamentalism. The growth of unemployment has progressed quite rapidly in certain sectors of society which are quite large in our countries, sectors which are excluded from consumption and, as a consequence, from citizenship itself.

This kind of phenomenon, that flows from the economic policies applied to this point, has been translated into a growth of misery, whose forms are many and are growing in number — growth of hunger, a proliferation of new diseases and the increasing re-appearance of old ones, the taking to the streets of tens of millions of our children, and the appearance of 11 and 12 year-old prostitutes in the streets of our cities.

The children of our countries make up an enormous reservoir and are used as agents for a growing criminality which today indiscriminately effects both rich and poor. Thousands of children are killed by the police and paramilitary groups.

Near the end of the 1970s and throughout the 1980s, democracy made considerable forward strides in Latin America. Military dictatorship were replaced by civilian governments, products of free elections, in spite of the persistence of the former authoritarianism, of media manipulation and the weight of the capitalists, or open electoral fraud in certain countries.

In many other cases, the distinctive traits of this democratisation were not only a return to a state of law but also a greater respect of human rights — for us, fundamental rights — and the emergence of new forces in the institutional and political struggle. These new forces have brought new problems to the political and social struggle, at the same time that they have enlarged and enriched our conception of

democracy — making it clear that democracy cannot be confused with the liberal ideal, even if it might borrow some of its principles.

Democracy has been taken increasingly to mean a space for struggle and, above all, for the perpetual creation of new rights. As a consequence, it is an open process opposed to all totalitarian concepts.

Some examples of these new political subjects are the Brazilian workers who before did not participate in political life; another example are women who began to participate in a dynamic way throughout the continent and began to give a political dimension to problems which were previously reserved for the private space of daily domestic life.

Ethnic groups are another example, who decided to put an end to the secular process of discrimination and who demand the reconstitution of their societies based on new sets of cultural values and new organisational forms. Finally, minorities such as homosexuals who made clear the need to think of a democracy which respects differences.

However, these important years of qualitative and quantitative advances of political democracy in the region took place at a time systematically referred to as the “lost decade”, especially in the social and economic spheres. The constant degradation of living conditions for broad sectors of the population fed the growth of a set of ideas that said that political democracy is useless since it does not eliminate hunger, illness, the lack of shelter and transport or the violence that invades our neighbourhoods.

### **“Benevolent” Fujimori**

To all these phenomena are added the denunciation of corruption, and of the increasing appropriation of the state by private groups which form into veritable gangs — as was seen with Collor in Brazil. The combined social and moral crisis, which accompanies the brutalisation that has affected a large part of the population of our countries, has provided arguments for “benevolent” figures, as was shown by Fujimori’s auto-coup in Peru, Serrano’s ill-fated adventure in Guatemala, and the political tensions that exist in Venezuela, Colombia and Brazil.

The absence of social and economic democracy is the primary threat to political democracy. Nevertheless, what is crumbling in Latin America is not political democracy — painfully built up over these last years through intense struggle — but rather the dominant classes who have displayed their inability to accept a full and

permanent democracy.

They are also unable to build the market economies that they defend in their rhetoric; the Latin American ruling classes prey on the national state which was built to serve their specific interests. Now, through privatisation, they are trying to reappropriate — most often through fraud and corruption — the wealth created by the sacrifices of millions of workers over decades.

The corruption of the political class, linked to the predatory activity of the bourgeoisie in relation to the state, has always existed — but there are more repercussions now as a result of the advance of political democracy, of greater transparency of state functioning, of greater press freedom, the more democratic functioning of the courts, and deeper feelings of citizenship in broad sectors of the population.

One of the great conquests of the Latin American left over the last few years has been the recognition of the need for an ethical dimension to politics. Millions of people in our communities identify themselves with this ethical dimension. The choice is clear: either left forces incorporate this ethical dimension as an essential component of our political project or the enemies of freedom will use it to destroy political democracy with arguments about the supposed plethora of social gains that the masses achieve by being treated in a authoritarian and paternalistic manner.

Only those of Fujimori’s ilk prosper when the feeling of citizenship is lost, when there is not a frontal struggle against the corruption of the ruling classes and the political elites — but, above all, when we don’t have a programme of radical reforms capable of eliminating poverty and absolute misery, and continuing growth through the distribution of wealth by the government. And this response has to be made in the context of the deepening and strengthening of political freedoms.

To meet the enormous challenges that the continent’s misery offers, the countries of Latin America are confronted with the need to offer an alternative to the crisis of the national model of development and an alternative proposal of continental integration. This national project of development must be radically different from the old proposals that we have seen.

In the first place, the ideology of national development — promoting growth — was unable to enact reforms which could concentrate the wealth created. Today, a national project of development must reject the conservative formula which says it is necessary to have growth before distribution — distribution must become a

measure which promotes growth.

In the second place, the ideology of national development is statist and was part of an authoritarian brand of limited democracy which, in particular, sacrificed the autonomy of the working classes. A national project of development presupposes not only the existence of political democracy but also its expansion and radicalisation. This can happen through the combination of representative mechanisms with those of direct democracy and growing control over the state by society.

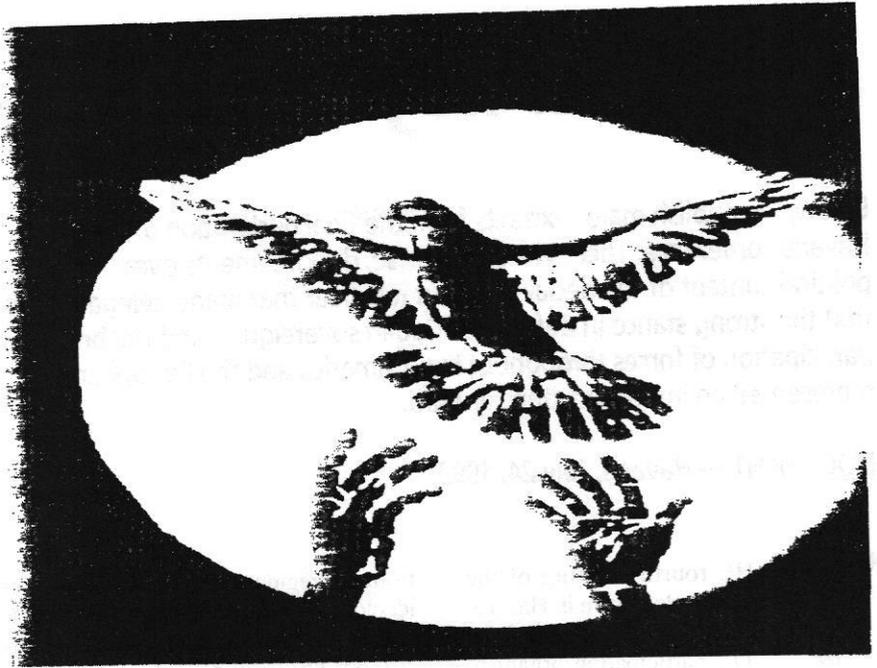
In the third place, the ideology of national development prospered in the belief that the configuration of the world economy favoured autarchy, while in fact it moved more and more in the direction of globalization. Thus, any national project for development must positively address the role that our countries will have in the New World Order.

This path is full of obstacles — firstly, because the initially lost decade and the neo-liberal adjustments that flowed from it, thrust our countries to the bottom of the world system, eliminating the competitiveness we once had. The clearest example is that of the loss of dynamism of our industries — where there has been open deindustrialisation. Moreover, we have lost the relative competitive advantages that we had in the past.

Primary goods are no longer as important in modern productive processes, and therefore there has been a decrease in their value on the world market. It is not enough to have a large workforce if it is unqualified due to the lack of appropriate educational policies. And we do not have the requirements for big markets, insofar as our peoples are excluded from consumption as a result of their state of misery.

It is for this reason that it is necessary to pay special attention to the question of formulating and implementing a national development project within the framework of continental integration. Integration is a vehicle for the national project since it gives national economies more room to fulfil their potential, and gives greater negotiating weight within the big international economic fora.

This is why we reject projects such as the "Initiative for the Americas" of the Bush administration, which reduces integration to the creation of a free trade zone on the continent. This is why we salute the comrades of the PRD and the Mexican left for their current opposition to the North America Free Trade Agreement (NAFTA). The philosophy underlying the Initiative is responsible for the considerable trade deficit that Latin America now has in relation to the United States, and



which will lead our countries into more and more regressive steps towards an import-based economy. The social impact of this project will be devastating.

With this focus it will be possible to articulate key questions — about national sovereignty, and about its application in Latin America or regions therein. We have seen, for example, neo-liberal projects such as Mercosur in the south of the continent. We must be able to offer alternatives based on the interests of working people.

A new conception of the integration of the continent presupposes an intense process of scientific and technological cooperation that will give us access to the required knowledge for satisfying in an accelerated and efficient way the demands of tens of millions of brothers and sisters throughout the continent.

### ***Resistance not enough***

But the neo-liberal policies and ideological offensive that have been unleashed, while somewhat bruised, have not lost their momentum. This means that in the following months, which will be characterised by major political confrontation, we are going to see a tremendous expression of popular discontent. It is necessary to mount this resistance, but on its own it is not sufficient.

It is necessary to move from resistance and denunciation to the affirmation of a project. The very fact that in many countries of the continent there will be elections over the next 18 months is an important opportunity for building an alternative that transcends sheer propagandism and doctrinaire self-satisfaction — through the presentation of a radical project of reforms

capable of uniting its potential to mobilise with the consistency of its content.

It will be a difficult struggle, and our opponents will use all possible arms to block the path to power. It will be a struggle that requires political intelligence that will permit us to combine struggles in the institutional arena with an intense social struggle. Depending on the results of elections throughout 1993 and 1994 in Venezuela, Chile, Colombia, Mexico, Brazil, Uruguay and El Salvador, among other countries, a new sovereign Latin America capable of affirming its place in the world could emerge.

The New World Order that emerged from the collapse of bureaucratic socialism in the Soviet Union and Eastern Europe, which beginning with the Gulf War established the hegemony of the United States, cannot survive forever. Neither is this new order an absolute given before which we have to passively bow in respect. We must organise resistance against big capital with broad, complex and variable alliances, always made from the point of view of the workers and based on radical programmes of economic, social and political reforms.

I would like to conclude by emphasizing that the potential for change in Latin America is in our hands. The impact of such change on the world situation will be considerable, opening a new period of hope in this difficult time through which working people the world over are going.

The victory of our countries will be the greatest assistance we can offer Cuba — which today has an ally in the peoples of the continent, and which tomorrow could have as allies democratic and popular governments throughout Latin America. ★

# Democracy against corruption

Below, we publish major extracts from the final declaration of the Havana conference. There were, of course, disagreements over the political content of the declaration but it is clear that many delegates felt that the strong stance in defence of Cuban sovereignty and the broader participation of forces throughout Latin America and the Caribbean represented an important step forward.

**DOCUMENT** — Havana, July 24, 1993

**T**HE fourth meeting of the São Paulo Forum in Havana, with representatives from 112 participating organisations and 25 observer organisations, demonstrates the vitality of the political forces of anti-imperialism, popular democracy and the socialist left in Latin America and the Caribbean. These are forces that are taking part in the profound changes on our continent. The participation and presence of 43 observers from political organisations in North America, Europe, Asia and Africa demonstrate the significance that the Forum has acquired.

## *Vindication*

The decision, at the third meeting in Managua, to hold the fourth in Havana has been vindicated. We have incorporated 30 anti-colonial, popular and democratic organisations from the Caribbean, strengthening our unity. We have observed for ourselves the difficult situation facing the fraternal people of Cuba and the grave effects of the blockade and the systematic policy of aggression carried out by the government of the United States. Equally, the Cuban people remain firm in their resolve to defend their social and economic conquests. When more than 180 million Latin Americans and Caribbeans live in poverty, and another 88 million live in extreme poverty, these revolutionary gains are even more significant.

The fourth meeting reaffirms our condemnation of the immoral imperialist blockade against Cuba and assumes the commitment to deepen political actions demanding its lifting, as well as the unconditional integration of Cuba into the continental community.

The São Paulo Forum has continued to develop. Advanced political forces

from the region, of diverse political and ideological orientations, can meet to discuss the difficult changes that have occurred, our historical role, the cultural and ethnic mix of the continent, our potential for creating a society that is based on justice and solidarity.

Latin America and the Caribbean are inserted in a uni-polar world that conforms to hegemonic economic blocs — that re-define the function and parameters of technological change and the international division of labour. We resist the application of the neo-liberal model.

In the last year, there has been evidence of a split in the neo-liberal project, its hegemony fragmented. The change of presidents in Brazil, Venezuela and Guatemala shows the force of social mobilisations, the peoples desire for change, the struggle against corruption. In Uruguay 72% voted against privatisation of public services.

## *External debt*

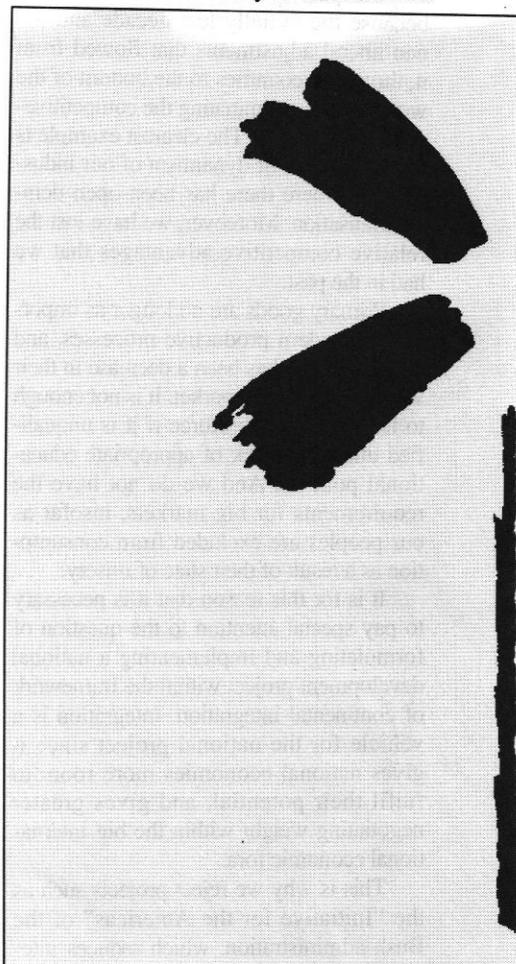
The consequences of neo-liberal policies are clearly visible. An indiscriminate economy; the blind reliance on the market under the control of the oligarchies and the transnationals; the organisation of the economy in order that payment of the external debt is guaranteed and so that politics are defined by the International Monetary Fund and the World Bank. This has produced the destruction of the industrial sector especially the nationalised industries; disequilibrium between the different sectors of the economy; the creation of a deficit in the commercial balance of payments; the return of an economy based on primary exports.

Poverty is increasingly difficult to hide. Today, governments and inter-

national organisations formally recognise this. The third Ibero-American summit incorporated this question on its agenda.

The absence of economic and social democracy, the drug trafficking, corruption, militarism, the repressive apparatus and intelligence services outside democratic control, the impunity of the States terror-ism. All of these constitute grave threats to the construction of democratic politics in Latin America.

The Forum emphasises the importance of the struggle for political democracy, in the knowledge that it is a historical product of the peoples' fight. We also affirm the necessity of an extension



of democracy, a combination of mechanisms, representative, participative and direct, integrating institutional and social struggles. It is also necessary to recognise and incorporate ethnic and cultural plurality, generalised equality in the exercise of democracy.

The defence and extension of demo-

cratic conquests corresponds with the struggle against corruption, transforming the daily practice of the ruling elites in Latin America in their traditional and neo-liberal forms. Corruption is a political and ethical problem. We have the evidence of the dominant classes intentions to "privatise" the State and reap the benefits.

Democracy is incompatible with the survival of a colonialism that subjugates the diverse peoples of our continent, restricting sovereignty and independence.

It is evident that the present state of the economy and politics on the continent are conducive to a persistent violation of the human rights of our people, provoking social instability and desperate actions leading to an increased mobilisation of the reactionary and neo-liberal layers. It is necessary that our political forces contribute to the orientation and organisation of the social struggles with

ral to the Forum will be facing the challenge of elections, for president or government, in the remaining part of 1993 and in 1994, for example in Brazil, Chile, El Salvador, México, Panama and Uruguay. The Forum demands fair and democratic elections in all cases.

We urgently need to formulate and implement a political project that will express the interests of the popular movements, that can build a sustainable and independent economy with equitable distribution of wealth and a marked extension of democracy in all areas. The great majority must have the right to work, consumer goods, property and citizens rights. We must challenge the ecological degradation on our continent.

We do not accept the formula "first growth — distribution later" but rather that we should begin to define a strategy that links growth with distribution.

We need a model of development that combines the existence of the market with the regulatory function of the State and the energetic promotion of the necessary structural changes that will create democracy with social justice and, in particular, guarantee social policies: education, salaries...

We are living through a process of the globalisation of the economy. In this process, the United States behaves as if Latin America and the Caribbean are simple appendages of their economy, to be used by big capital.

### ***New relationship***

The military presence in Panama, the illegal occupation of the Guantánamo base, the maintenance of the Cuban blockade, military interventionism associated with the struggle against drug trafficking, as well as all the economic and political measures that affect our countries; all point to the need for a radically new relationship between Latin America and the Caribbean and the United States. It is necessary that this ultimately respects the exercise of self-determination of our peoples and consequently the plurality of socio-economic systems on our continent.

The Forum registers its opposition to the continued colonial status of Puerto Rico, French Guyana, Martinique, Guadeloupe and other colonial territories. We demand national independence and self-determination, as well as the recognition of Argentine sovereignty over the Malvinas.

We express our respect for the achievements in Central America that have been made by the Sandinista National

Liberation Front (FSLN), the Farabundo Martí National Liberation Front (FMLN) and the Guatemalan Revolutionary National Unity (URNG), for their role in the peace process in the area and for their flexibility and reconciliation. Likewise, we hope negotiations recommence in Colombia in the search for a political solution and an end to the armed conflict. We condemn the authoritarian, military, pseudo-constitutional regime in Peru. This regime contributes nothing to the grave problems faced by such countries.

### ***Democracy***

We support the struggle of the Haitian people to restore democracy and prepare the conditions for the return of the legitimate president. But we would warn against the use of the New York Accord as a pretext for external military intervention.

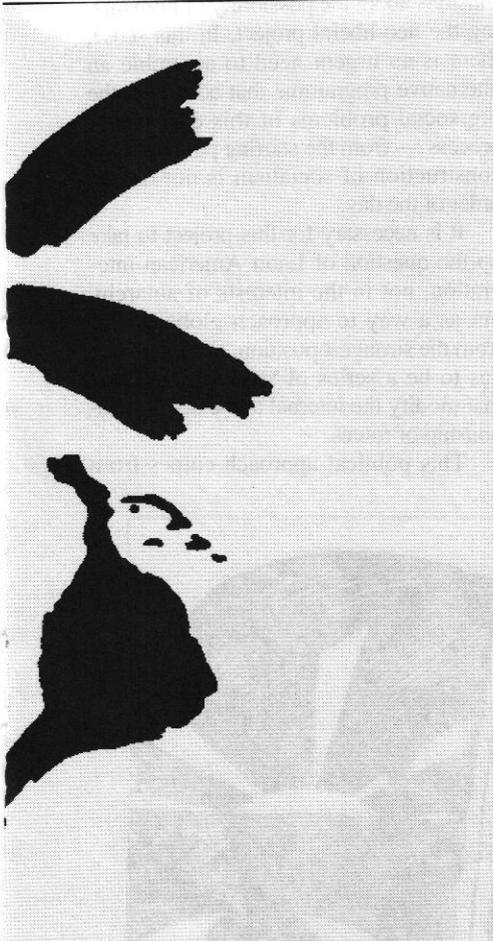
The Forum considers that it is valid and necessary to record the origins of these previous conflicts and relations: the systematic violation of human rights, dependency, social injustice and dictatorial atrocities. The definitive eradication of these depends on the indefatigable struggle of the all democratic, progressive and patriotic forces in the Americas.

Finally, in the international arena, the Forum declares that it is necessary to fight for the construction of a new world order, as defined by our third meeting in Managua.

At the level of supra-national organisations, in the light of world reality, we are faced with unjust organisational forms and the lack of guarantees. International law, the United Nations and the Security Council are invoked and used and the sovereignty and independence of States is trampled underfoot. This has resulted in the recent aggression against Iraq, the military occupation of Somalia under humanitarian pretexts, the imperialist nuclear threat to North Korea, the sanctions against Libya. Likewise the Security Council resolutions with regard to Israel and their responsibilities have been ignored. Israel continues its aggression against the Palestinian people and their struggle for an independent state.

Following the frustrations of the last few years, the Forum sees the possibility of a rise in popular struggles that could renovate the Latin American and Caribbean left.

We resolve to find new and creative ways to advance our struggle and win! ★



a political perspective that transcends history.

For victory over social misery, ethical crisis, social and political instability, authoritarianism, it is necessary to pass beyond denunciation and resistance and propose concrete alternatives.

A number of the organisations integ-

# Critical in every way

**AFTER** the holding of the third São Paulo Forum, in Managua in July 1992, worries and doubts appeared about the possibilities of the Forum surviving and growing. The number of differences that had accumulated placed the future of this Latin American meeting place in doubt. In spite of all this, the fourth Forum proved to be a success.

**PRISCILA PACHECO CASTILLO** — Mexico City, August 19, 1993

**A**S for the participants (114 organisations from Latin America and the Caribbean and more than 30 from other parts of the world), we should first highlight the important step forward of the integration of the Caribbean region, particularly that of the English and French-speaking Caribbean.

As for the level of representation, this year parties decided to send their main leaders, which included several presidential candidates with a good chance in upcoming elections: Cuauthemoc Cardenas from Mexico, Navarro Wolf from Colombia and Luis Ignacio "Lula" da Silva from Brazil. As such, this meeting reflected two central processes in the evolution of the Latin American left: its diversity and its contradictory gains.

The fact that the Forum took place in Havana at one of the most critical moments for the revolution was of great importance. The quantity and quality of participants was proof that the Latin American and Caribbean left understood the stakes in Cuba, and understood that it was important for them to be there.

They saw that declaring themselves in opposition to the imperialist blockade was also a way to defend the future of our peoples. But not only this; it was also important to discuss with the leadership of the Cuban CP some fundamental aspects of the type of society we are struggling for and highlight the centrality of democratic questions.

This meeting took place in a critical period, not only for the Cubans, but also for the whole Latin American left. Critical because the old thinking has not finished dying and the new is far from complete. Critical because there is still a kind of strategic paralysis; the era of politico-military organisations seems to have ended and an institutional democratic fever seems to have taken its place.

Nevertheless, there is no clarity with respect to what will be done after an electoral victory.

It is also a critical period because of the burning need to elaborate an alternative programme to capitalist globalisation, at a time when there is a very bad relationship of forces. And it is a critical period of reflection on the experience of socialist construction in Cuba.

The points that were discussed clearly reflected the ideological and practical preoccupations of our organisations. The analysis of the economic and political situation in the region was the first point. Afterwards there were two workshops: one on political education presented by members of the Free Bolivia Movement, and one on the state, democracy, parties and social movements introduced by Sergio Rodriguez of the PRT (Mexican section of the Fourth International) in the

name of four Mexican parties. The third point examined the Forum's norms of functioning and the fourth took up the final declaration (see pages 18-19 of the present dossier).

There was a fairly rich and extensive debate on each of the points, which would be impossible to synthesise in such a short article. Nevertheless, we can examine a few of the most important elements of the debates.

PT leader Marco Aurelio's intervention (see pages 15-17) got things going. There is broad consensus regarding the destructive characteristics of the neo-liberal project. Unlike other fora, there are no illusions about the possibility of humanising the neo-liberal project. In this sense, there is an urgent need to assemble an alternative programme that addresses the big social problems of this destructive process — from the starting point that the construction of socialism is not on the order of the day.

It is necessary for this project to take up the question of Latin American integration, not in the interests of autarchy but as a way to approach globalisation from the strongest position. For this, there has to be a series of structural reforms that modify the internal and external relationship of forces.

This political approach comes from



those political forces that might win presidential elections in their countries in the near future — organisations in Brazil, Uruguay, Venezuela, Colombia, Mexico and El Salvador. It would be wrong to presume that all these forces have an equal chance of winning elections, but this possibility attracted most of the attention at the Forum, insofar as a victory in two or three of these countries would lead to a substantial change in the relationship of forces.

Nevertheless, we must note that unlike what happened in the beginning of the 1970s, the possibility of electoral victory for the left does not result from a process of acute social polarisation. Rather, it is a result of the deep crisis of the bourgeois political projects, a crisis which stems from the same process of capitalist restructuring that is affecting us.

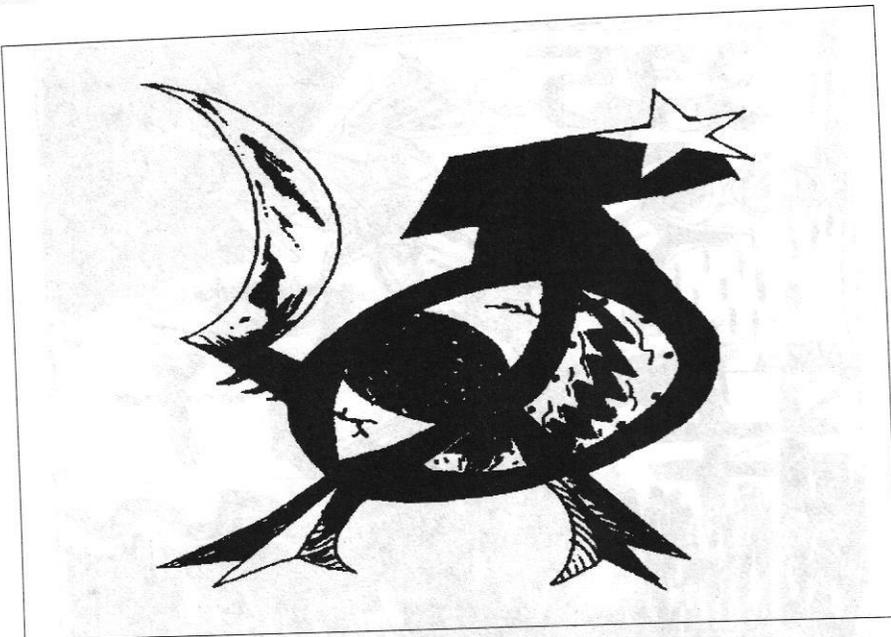
This is not to say that a victory of the left, even the most moderate, would not represent the hope for change of broad sectors of the population or that a social polarisation is excluded. The problem lies in the fact that for the left to have an opportunity to apply structural reforms it not only has to have majority popular support, but also has to organise this support and progressively break away from the institutions.

Many wondered about the future of the left in government. The problem of the army was raised. An Uruguayan participant had recently visited the Archives of Terror in Paraguay, where the many crimes committed by the armies of the southern cone are documented, where it becomes clear just how much these institutions inter-relate. The question arose, "What will be the attitude of the military in the face of leftwing electoral victories?"

Fidel Castro himself rubbed salt into the wound with considerable vigour. He pointed out that while the left was planning and dreaming, the right was acting. Fidel asked, "Are they going to peacefully allow us to fulfill our dreams?" He also spoke of the difficulties of living in a uni-polar world.

During the debate, responses to these difficult questions began to emerge, with special attention paid to the question of the state. On the one hand, there were those who, like Fidel, clearly defended what could be called the traditional position of the Latin American left, which sees the state as the main agent for transforming economic, social, political and cultural conditions.

On the other hand, there were those who, after the fiascos of Eastern Europe and the welfare state, have chosen to



reduce as much as possible the role of the state in these transformations. A middle position was presented by the Brazilian PT, which gave the state a central role while making it a simple administrative apparatus.

The idea that the state should be used to prevent the concentration of wealth in the hands of the few was clearly expressed, as was the idea that it should be used to counter the blind logic of market mechanisms — without for all that making the state the owner of the majority of firms.

In the field of democracy and party functioning Pablo Modena of the Venezuelan Causa Radical group, Adolfo Gilly of the Mexican PRD and Lula of the PT presented elements of what could be seen as the new thinking. After making a severe criticism of the traditional parties of the Latin American left, the Causa Radical members argued that the failings of this left are profoundly linked to its poor understanding of democracy. In this way, they harshly criticised those, singling out Daniel Ortega of the FSLN, who had shown support for former Venezuelan president Carlos Andres Perez.

Afterwards, a new political — and to a certain degree ethical — vision of political practice was discussed. There was talk of the need to promote all mass radical actions of the population, and not place before them the interests of this or that organisation, as well as the need to not make agreements with those who the population sees as its main enemies.

Many were of the opinion that the only way to begin to provide responses to the many questions which had come up was to develop the social and political activity of the population, promoting the idea that mechanisms for solving the big

national problems should be discussed. That is to say — breaking with the politicking that reduces democracy to elections in which the people delegate power to one representative.

Due to the past and as a result of a series of failures, the Latin American and Caribbean left began to discuss its errors in respect to the social movements. Very few countries of the world have seen the emergence of social movements of the size and breadth of what existed in our countries. Nevertheless, they were simply seen as transmission belts for the creation of hegemony. This has led not only to demoralisation but also to the loss of mass forces — and, in such cases, to the questioning of the ethics of socialist thought.

In all the meetings of the São Paulo Forum there has been a flagrant absence of discussion of problems related to the oppression of women and, in particular, of the problems of the Latin American left in this field. The composition of the meeting itself was such that women felt the need to meet and issue a declaration which begins, "From the island of Cuba, the small giant, symbol and example of anti-imperialist resistance, land of Mariana Grajales and Ana Betancourt, the women participants of the São Paulo Forum point out the obvious: this has been a men's meeting.

"The economic, social and political situation of our America was discussed, as was the relationship between social movements and political parties, as was political education — but all from a limited perspective. Of 217 participants, only 25 were women. If we have not been able to enrich this analysis with our presence, it is because Latin American leftwing political parties and organisations



still practise sexist discrimination. It is essential that our numerical presence in the Forum reflects a universal vision of the world that integrates women and men."

To conclude, a few words should be said about the discussions that took place on Cuba. In the first place, a few ministers and members of the Political Bureau of the Cuban CP — and Fidel Castro himself — were in attendance for all the activities of the Forum and showed great interest. Clearly, they saw the importance of this Latin American and Caribbean initiative.

I am convinced that this attitude of listening to every single intervention was not just an act they were putting on. Fidel wanted to hear and be heard by this Latin American left in the process of change. Clearly, Fidel did not manage to convince many, nor was he convinced by many arguments.

The important thing is that a real process of exchange took place, such as did not exist over a long period of time. This is another feature of the critical period we are going through: long gone are the days of the leading party, of "big brother".

The information provided in the special sessions on the political and economic reality of the island was very extensive and deserves its own article. The Cuban situation requires special attention — not only for what is objectively going on there now, but also for its subjective significance. This debate cannot be avoided. We believe that it should be a debate with historic content

and not only conjunctural! It is impossible to analyse a measure such as the depenalisation of the holding of hard currency without taking into consideration the whole economic model that is in crisis.

It doesn't at all help to point fingers at the leaders of the revolution. They had to reply to a very difficult question: how to build a new society in a world dominated by finance capital, that is to say, by imperialism? The answers were equally complex: for example, the fact that the only help they received was from the former Soviet Union. Could they have believed that this would not have consequences in all fields?

Nevertheless, today everyone has to answer this question: how to build a new society, without being able to count on even the slightest help (even as small as that given by Eastern Europe to Nicaragua) from any state, and faced with total imperialist domination?

Fidel Castro's interpretation of the disintegration of the Soviet Union reflected a profound misunderstanding of what happened. According to him, it was all the fault of "the midwives". That is to say, those who helped bring into the world those who consciously or unconsciously allowed imperialism to fulfill its goal of re-integrating the USSR into the capitalist world. It would seem that for Castro an historical event can be explained as a function of the action of a handful of human beings who act from above. This is the conspiracy approach towards history.

A key factor in the former bureaucra-

tic states was the bureaucracies' total lack of social roots. They could not resist the advances of capitalist restructuring and the growth of the mechanisms of labour productivity. And this is where, according to Fidel, lies the difference between Cuba and those countries.

In Cuba, the political regime can count on the endorsement of the majority of the population. This endorsement is founded in the existence of a national anti-imperialist and socialist consciousness in defense of national dignity — which is the deep-rooted identity of the Cuban people. It is difficult to imagine how else they would have been able to resist in the way they have. To say that they live under a dictatorship is an insult to the intelligence.

Nevertheless, the situation is extremely complex. The measure depenalising holdings in hard currency is going to benefit those sectors least favourable to the revolution, creating a social inequality that could erode majority support for the government. There have to be other measures as a counterweight to this situation — measures which are not only economic, but also political. More than ever, it is necessary for people's power to reach its full potential, to unleash the initiative of the producers, and loosen the centralised control of all activities.

It is certain that a process of economic degradation such as the country has gone through cannot continue indefinitely. That said, this should not make us mere prophets of impending doom. The Cuban people's capacity to resist is central to the development of international solidarity for the even partial lifting of the embargo — and to the struggle to change the relationship of forces between labour and capital in our countries.

In one of his interventions, Fidel said, "we defend ideas, not interests." This is quite clear, and the ideas are not always our own; sometimes we are totally against them, but it is possible and necessary to understand that they are ideas which join with ours in the struggle against imperialism, capital and social injustice. For this reason, when Fidel goes to Bolivia, Brazil or Mexico, our peoples — more than ever — come out onto the streets and demonstrate their support. There is a conviction that the Cuban people and its leadership will not give in to the empire to the north, unlike what is happening in our countries.

Whatever our differences, this identity of resistance and dignity deserves to be defended. I think this is the clearest message that emerged from the fourth meeting of the São Paulo Forum. ★

# No change in policies

In the July election for the lower house of the Japanese parliament, voters clearly revealed their disillusionment with the long-ruling Liberal Democratic Party. They were removed from power after thirty-eight years. There was not, however, a swing to the left. On the contrary, and as our correspondent explains, conservative forces achieved their best result since 1955.

**JUN'ICHI HIRAI\***

— Tokyo, August 13, 1993

THE Liberal-Democratic Party was denied a simple majority, the Social Democratic Party sustained a crushing defeat, while new parties scored remarkable gains in Sunday's general election. "The most outstanding result is that the nation handed down a 'no' verdict on the LDP's 38-year-old one-party rule. We now see the effective collapse of the so-called regime of 1955, in which the LDP, a conservative conglomerate, has single-handedly managed the affairs of state in confrontation and collusion with weak opposition forces led by the SDP in the Cold War framework."<sup>1</sup>

The results of the Japanese general election, held on July 18, represent the end of the Liberal Democratic Party's (LDP) absolute-majority rule. The LDP gained 223 seats out of total 511, while Shinseito (Renewal Party) and Sakigake (Pioneer Party) gained 55 and 13 seats respectively. Both parties were formed as split-off groups from the LDP immediately after the dissolution of the Lower House on June 18 when the house adopted a no-confidence motion against the Miyazawa LDP cabinet. The Japan New Party (JNP) gained 35 seats; this party had been set up by Morihiro Hosokawa, former governor of the Kumamoto prefecture and also a former LDP Upper House member, last year.

The LDP defeat is as a direct result of the emergence of these new conservative parties. Discredited through a series of financial scandals, the LDP has lost its long-time governmental power at last. But the general election has also brought about a spectacular decline of the Social Democratic Party

(SDP).<sup>2</sup> The SDP, which had been the major opposition party in parliament, took only 70 seats, losing nearly half of its previous representation.

Thus, in spite of the LDP defeat, bourgeois conservative forces as a whole — the LDP, Shinseito, Sakigake and the JNP — control nearly two thirds of the Lower House seats. This is the strongest parliamentary representation the bourgeois conservative forces have ever had since the 1950s.

## Coalition

Following the election, non-LDP forces — except the Communist Party (CP) — formed a coalition against the the LDP. The new government, inaugurated on August 9 and headed by JNP leader Hosokawa, is composed of seven parties — three non-LDP conservative parties (Shinseito, Sakigake and the JNP) and four other long-time opposition forces (the SDP, Komeito, the Democratic Socialist Party [DSP] and the United Social Democratic Party [USDP]).<sup>3</sup>

The agreement for the coalition states that they will continue the previous LDP government's foreign and defence policies. This means that the SDP, which is still the largest party in the coalition, has clearly abandoned its previous pacifist stance.

During the Gulf war, Japanese imperialism began to play a military role under the auspices of the United Nations in the name of making an "international contribution". In this context, the tendency toward revision of the pacifist aspects of the Japanese constitution has been gaining ground amongst the

parliamentary parties, including the opposition. Detachments of the Japanese Self Defence Force, to Cambodia in 1992 and to Mozambique in 1993, represent the first steps for Japanese imperialism in expanding its military involvement in "regional conflicts" all over the world.

The SDP's participation in the coalition government will facilitate its rightwing turn to "realism". During the election campaign, the leadership of the rightist "Rengo" (Japan General Federation of Trade Unions) publicly stated that they would not support those SDP candidates who still stuck to the traditional pacifist stance, defending "Article 9" of the constitution which bans the government from holding any military forces. Under pressure from "Rengo", which represents big company-unions, the SDP has definitively turned to the politics of "national interest".

The new coalition's real leadership is in the hands of Shinseito. Before they split from the LDP, they were members of a sub-faction of the LDP's biggest and dominant faction, and they had powerful links with leading capitalist circles and the administrative

## Election Results

	Seats won	Pre-election strength	Candidates
LDP.....	223	227	285
SDP.....	70	135	142
Shinseito.....	55	36	69
Komeito.....	51	45	54
JNP.....	35	0	57
JCP.....	15	16	129
DSP.....	15	13	28
Sakigake.....	13	10	16
USDP.....	4	4	4
Others.....	0	2	62
Independents.	30	9	109
Total.....	511	497 (15 vacancies)	955

\* The author is a supporter of the Fourth International in Japan.

1. *Mainichi Daily News*, 20 July 1993

2. In Japan the SDP is still known by its previous title, Socialist Party.

3. Komeito — this party was established by the Buddhist sect "Sohka-Gakkai" in the early 1960s. They are now seeking the possibility of fusing with Shinseito.

DSP — a split from the SDP in 1960 they represent the far rightwing of Japanese social democracy.

USDP — a split from the SDP in the late 1970s. Their aim is to unite all the "social democratic" forces.

bureaucracy. They too had been involved in various grave corruption scandals. But now, they present themselves as "political reformers". In fact, their political project is more aggressive than that of the LDP. The Shinseito leader, Ichiro Ozawa, has openly stated that Japan should play a more active political and military role in maintaining the current world order. Even the new LDP president Yohei Kohno warned against Shinseito's "extreme nationalist view". Nonetheless, all the coalition parties, including the SDP, are now seeking a common position with Shinseito.

### "Political reforms"

The political stability of the Japanese parliamentary system has clearly come to an end. The LDP, the coalition parties and all the mass media consider the non-LDP coalition government as a temporary stage in a transition towards a new Japanese-style two-major-parties system. In the name of "political reforms" to stop corruption, all the parties, except the CP, have agreed to introduce a new electoral system. This will be a combination of the single-member constituency system and proportional representation. The electoral reform will bring about a further realignment of parliamentary forces. Given the weakness of the SDP and the trade union movement, the "political reform" may result in a system of two-major conservative parties, where the SDP will actually disappear.

Under the new coalition government, the only non-LDP opposition party is the CP. Having got fifteen seats and 7.7 per cent of the total votes, the CP has maintained its presence in parliament. But their monolithic Stalinist structure (they ban any dissident current) deprives it of any real possibility of attracting active support from working people. On the contrary, many circles and individuals, including certain activists of the peace movement and ecology movement, who have been disillusioned with the SDP, are increasingly supporting the "new parties", especially the JNP.

Almost all the political forces are competing with each other to get hold of the power structure of Japanese imperialism. But the parliamentary system itself has been deeply discredited among the population. There is an economic depression and Japanese capitalism will not be able to produce another decade of dynamic expansion as in the 1980s. In this context, the real problem is the absence of left alternative forces which can bring together various elements of the democratic and progressive mass movements. We will, however, see continuous efforts to organise people; around the demand for peace, environmental protection, equal rights for immigrant workers... We will also see

various struggles against the Japanese emperor system, military bases, and discrimination. Independent trade-unionists and small leftist trade unions have kept their influence. The social base for a fight against the capitalist offensive exists and it is growing. But these movements suffer from fragmentation.

The main task for the socialist left is to link-up with these movements, radicalise

their demands, and present a democratic left alternative. Against the background of new Japanese politico-military involvement, it is particularly important for the Japanese left to strengthen Asian-wide solidarity. In taking up these difficult but challenging tasks, the socialist left in Japan has to attract the left pacifist wing of the SDP, and to build a credible new political force. ★

## BRITAIN

# Women give the lead

**In our May edition Phil Hearse detected "green shoots of militancy" in Britain following a period of years when the unions have been shackled with evermore legislation, the union bureaucracies — with notable exceptions — have failed to fight and strike action generally had fallen to a 100 year low. Women have played no small part in the emergence of these new shoots and, as our correspondent suggests, this could be the confirmation of a historical trend.**

**MARIAN BRAIN\***

— Birmingham, August 22, 1993

**W**OMEN today are facing increasing attacks, with the deepening economic recession. What is distinctive however, is that

they are not being driven out of the labour market in greater numbers than men. Women are increasing as a proportion of the workforce, but their jobs are predominantly part-time, low paid, often temporary and with atypical working patterns.

They have little job security and, when part-time, their conditions are generally worse than their full-time equivalents. They have less protection than full-time workers and are increasingly flexible which means that they are an attractive source of cheap

labour for the employers. It is no accident that this is a feature of the development of the British economy and it is a direct result of government policy.

The Conservative government's policy is to make Britain an offshore finance centre and a cheap labour economy. To do this they have to slash wages, demolish the welfare state and attempt to deunionise the workforce. The position of women in West Yorkshire illustrates these features. Here women will soon be the primary wage earners, while men are finding it more difficult to get jobs. The number of women in work is catching up with the number of men as the male jobless figures continue to rise.

In 1986 the percentage of women out of work peaked at 9% and for men it was 13%. While the figures for men remained constant the proportion of women unemployed has fallen to 5%. According to the National Earnings Survey women in West Yorkshire earn almost £100 a week less than men. The recession of the early 1980s and now the early 1990s has accelerated the shift towards part-time working. In Yorkshire part-time women workers make up half of the regions female workforce and 22% of the overall workforce.

In a recent report the Citizen's Advice Bureau<sup>1</sup> found that many firms were making full-time workers redundant and then giving the same job to someone else to do for less wages. This summer Wages Councils (which provided minimal protection to the low-paid)

\* The author is an elected member of the women's advisory committee of one of the communication workers' unions. She is also a supporter of *Socialist Outlook*, the Fourth Internationalist paper in Britain.

1. The Citizen's Advice Bureau is an independent agency giving free advice on legal and consumer rights.

will be abolished. Without a doubt this will worsen the position of women.

In 1990 women formed 48% of the employed workforce and also represented 34% of all Trades Union Congress (TUC)<sup>2</sup> affiliated members.

In the face of one of the most vicious employer offensives in history we have witnessed a remarkable upsurge in the involvement of women in trade union and community struggles. Their role of late has been an example to the whole labour movement and a pointer for the way forward.

This is, of course, nothing new. From the formation of the labour movement women have always played a significant role. The struggles which we examine here confirm and reinforce this historical trend; women are playing a vanguard role in defending jobs, communities and services.

### **Burnsall's**

At the Burnsall's electro-plating factory in the West Midlands, women have taken one of the most dramatic and bold initiatives since the Grunwick dispute of the 1970s.<sup>3</sup> Once again, it is a dispute that clearly illustrates the need to organise those millions who are not currently organised in the trade union movement. The strike, now in progress for over a year, has also demonstrated the practical problems that are faced in organising those, predominantly women and at Burnsall's mainly of Punjabi origin, who work in the "sweat-shops".<sup>4</sup>

These workers know the reality of Thatcher's and now Major's Britain. Their basic claim was for decent working conditions (an end to compulsory over-time, a safe environment and proper protective clothing) and equal pay for women (who were paid £20-30 less than male equivalents). On these issues they have not budged. Although, naturally there has been one addition to their demands: that the sacked strikers be reinstated.

Their union, the General, Municipal and Boilmakers (GMB), was not recognised. Yet, while the strikers themselves have mobilised a not insignificant amount of support the GMB was found wanting when it had an opportunity to make significant ground. Rather, they have often undermined the strikers and have certainly failed miserably to maximise support to its full potential.

At the Women's TUC there were debates on low pay, sweatshop conditions and also a debate on the abolition of wages councils but not a single word was mentioned by the GMB of a dispute, involving its own members, that encapsulated all of these issues. The dispute was raised on the floor of conference by a woman from another union. Throughout the strike the GMB have refused to mount effective pickets and consciously

demobilised support.

They have attempted to block solidarity days called by the strikers in conjunction with the support groups that were established in different parts of the country. The strikers showed that it was possible to link up with the miners in the course of their dispute. An example of this development was the close links formed with the Women Against Pit Closures (WAPC), particularly the women from North Staffs Miners Wives.<sup>5</sup> A leading women striker from Burnsall's was one of the highlights of the London demonstration organised by WAPC to defend the thirty-one pits.<sup>6</sup>

They made links with the Timex dispute and have spoken to meetings in many parts of Britain. On Wednesday, June 30, the West Midlands Region of the GMB called off the dispute. The GMB regional organiser gave the following reasons for his actions: that it was not possible to win the dispute within the law, and that they were not prepared to build mass pickets. Nor were they prepared to organise a boycott of the goods produced there. They were not prepared to spend any more money on the dispute.

We should remind the new realists<sup>7</sup> that there would not be a trade union movement if it had not been for the fact that our forebears had been prepared to break the law. Women like the agricultural workers from Oxford who, in 1873, picketed in a dispute and were sent to prison to do hard labour. The outcry that arose, and the mass campaign that was built, led to the establishment of the legal right to picket.

The majority of Burnsall's strikers still want to continue their fight for justice.

### **Timex**

It will surprise no-one that the working class is being expected to pay for the crisis through cuts in pay and conditions of service. This is certainly what is at the heart of the dispute at the Timex factory in Dundee, Scotland. Management wanted a ten per cent cut in pay and an additional three hours on the working week alongside adverse changes to the workers pensions and other benefits. Over 343 workers at the plant were sacked for opposing these plans. Eighty per cent of these workers are women who have been at the forefront of the mass pickets that have taken place in defiance of the law. The union bureaucracy had negotiated a deal which would have amounted to a twenty-seven per cent pay cut. The workers rejected this blatant sell out. The deal would have also reduced the companies contribution to pensions, lowered canteen subsidies, reduced sick pay and then extended the required qualifying time. To top it all off, the locked out workers were offered their jobs back but on condition

they took a "skills test". The employers would have been able to victimise the leaders of the dispute at will.

The dispute has seen some of the most militant mass picketing since the miners strike giving inspiration to the whole labour movement.

At many union conferences it was easier to build and actively mobilise support for the Timex strikers than it was for the Burnsall's dispute. This is partially because the Timex workers were organised already and the bosses were attempting to cut existing pay and the conditions. The Burnsall's strikers on the other hand were virtually starting from scratch. Scotland also has a more militant tradition which made it easier to get a immediate response from the local labour movement. Contacts would have been built up over many years. However it must also be stated that there is still, amongst whole layers of the working class, a reluctance to be part of a struggle to organise in the "sweat-shops" where the workforce will be predominantly women and black people.

Timex workers have also managed to spread their dispute world wide and are calling for a boycott of all Timex products. Their campaign has a two pronged strategy involving both a consumer and a workers boycott. The latter involves calling on the organised labour movement not to handle Timex goods or materials that directly aid the companies' scab operation in Dundee.

Already the Transport and General Workers Union and the National Communications Union have pledged support. The boycott will not, however, be enough on its own. If the plant is closed it will be necessary to organise an occupation.

### **WAPC**

Once again WAPC were at the heart of the struggle to stop the massacre of the pits. These women, who had been the backbone of the 1984/85 strike, quickly organised when the miners were under attack again. They were able to show by their audacious actions what was necessary to maintain the

2. The TUC is the union federation covering all the countries in the British state, including Northern Ireland.

3. The West Midlands is the metropolitan district surrounding Britain's second largest city, Birmingham. Burnsall's supplies finished metals to a number of the car plants in the region. The Grunwick's dispute has clear similarities, in particular the role of Asian women and their neglect by the union movement.

4. This term has become common usage in Britain to describe particularly poor working conditions.

5. North Staffordshire is the next county to the north of the West Midlands.

6. See Phil Hearse, 'Green shoots of militancy', in *International Viewpoint*, No 245, May 1993.

7. "New realists" is the term that became common to describe the rightward moving labour and union bureaucracy, particularly following the defeat of the 1984/85 miner's strike.

momentum of the struggle and develop a consciousness that would make it possible to defend all thirty-one pits. They organised the demonstration which mobilised 15,000 people one week after the initial Commons Trade and Industries select committee report.<sup>8</sup> The march was militant and uncompromising in arguing that no pits should close.

During the long drawn out process of the government's review, it was the women who took the initiative, to try and build and maintain the morale of the men. The government was successful in its attempts to dissipate the uproar that the announcement had made. The TUC showed their bankruptcy again with their refusal to organise a series of one day general strikes. It is clear that if there had been a one day stoppage it would have met with a massive response. Indeed the first mass demonstration showed this. The support that was also expressed on the following Sunday, where marchers waited for hours in the pouring rain, illustrated what was possible. The women were not content to sit and wait and do nothing, they were prepared to fight and organise. As well as organising the demonstrations they were responsible for the establishment of camps outside the most vulnerable pits. These camps became a focus for the struggle, on occasion acting as a launch pad for occupations in some of the pits.<sup>9</sup> Each step of the way it was the women who were largely responsible for showing what would be necessary if the miners were to win their battle to save their jobs and establish a more rational energy policy.

It was quite clear that if the labour movement had followed the women's example and occupations of the pits and the TUC had supported this with a series of one day general strikes the battle to save the 31 pits would have been successful.

The public sector is now coming into the forefront of the struggle for wages and conditions of employment, and defence of public services. This struggle will be extremely important for the future of the labour movement. The proposed cuts will have major repercussions for women. Moreover, women are the majority of the public sector workforce and a majority of users. This debate raises fundamental questions about women's oppression.

This is why women will give the lead in forging an effective alliance between workers in the public sector and the users of public services in defence of the welfare state.★

8. The "select committee" is a committee of the British parliament.

9. On one occasion women occupied the British Coal headquarters. The story was never reported. The government put out what is called a "D Notice", restricting press reporting.

## "Get rich first"

**The 20 August *China Daily* reported that state enterprises were to be given full decision making powers by the end of the year. The stated aim is to make the debt ridden sector answerable to market forces by 1998. But as Ossi Rask points out, in the first of two articles, enterprise managers and local state bureaucrats have already been taking matters into their own hands. Their aim however, is a dash for personal profit.**

**OSSI RASK\***

— Stockholm, August 19, 1993

**C**HINA is now a "socialist market economy".

"A total breakthrough for socialist economic theory..."

"The massive theoretical contribution of Deng Hsiao Ping constitutes a revolution of Marxism..."

"To put the word 'socialist' in front of the phrase 'market economy' is without comparison in the history of world development..."

The sound of the oily poets of court, praising the Fourteenth Congress of the Party.

As a foreign visitor you must laugh when you confront the enormous gulf between this and what you can see with your own eyes. But the Chinese are not laughing.

Something is wrong. It has something to do with the unofficial slogan of the lower-level bureaucrats: "The more chaos, the better."

Standing outside the central station of Gwongzhou, provincial capital of Canton, one wonders: where are all these people going?

Where do they come from? A woman in uniform instructs the billowing mass of people with a megaphone. Three men are quarrelling with a man sitting on his heels. It concerns a stolen ticket. He is a living

statue. They smack him with an open hand. Suddenly, a hard kick in the face! A policeman close by, watches — says nothing, does nothing.

A country with 1.2 billion people. A Party with some 45 million members. The leaders of this Party rule one fourth of humanity.

The Gross National Product (GNP) of China last year grew by 12.8%. In the first quarter of this year GNP reached 14%. Compare this with the 1-3 or 4% in member countries of the Organisation for Economic Co-operation and Development

At the same time inflation has passed 10% in the countryside. In China's largest 35 cities it is estimated to be 17% or higher and on the increase. More and more people are buying immediately to get something for their money and the system begins to overheat.

Inflation arose from the new freedom to increase profits by increasing prices. "To be the first to be rich", as Deng Hsiao Ping said. Price controls have been gradually lifted since 1979 and "the market" now determines the price on 80% of all products.

The prices on grain, rice and other basic industrial products from the countryside are still decided by the government. In June of this year the New China News Agency comfortingly assured us that the prices were "unreasonably low but the situation has improved." When the products from the countryside reach the city they are sold at a completely different price than when they were sold to the first bureaucrat.

Inflation also arose from the opening to the world market. From June 1 the government removed the price controls on the so-called swapmarkets.<sup>1</sup> In the three weeks following the yuan plunged more than 30% against the US dollar, although it then stabilised.

Thus, someone dealing in the foreign markets — and the numbers of people

\* The author, who visited China during the summer, expresses his thanks to the Hong Kong based socialist journals *Sprout* and *October Review*.

1. "Swapmarket" is the term used most often in the local press to describe the various forms of currency exchange that are now prevalent.

involved is large — will only accept yuan at a higher and higher price, in order to get something for it when it is time to change currency. Alternatively, they do not accept yuan at all. Between 20-40% of all Hong Kong dollars are circulating in mainland China.

Thirdly, inflation and “growth” arose out of uncontrolled credit. Local banks and state companies lend and borrow money from each other, from the public and from foreign sources, without permission and at a rate of interest that can be three or four times higher than the central bank. The current symbol for this phenomenon is the trial of the Great Wall company which borrowed 1 billion yuan from 200,000 citizens at a rate of interest of 24%. The trial drags on. There are too many people involved in the scandal who do not want a result. The company is state-owned but has been described by the press as... “semi-private”.

On the whole, the tone amongst the cadres of the party-state has been set. They strive to transform or split off the capital of the state and make it private; they look for short-cuts in treating companies, institutions and funds as their own. Standard Chartered bank have reported that the comrades are now the biggest foreign investor and actor on the Hong Kong Exchange.

However, what does concern the Hong Kong Exchange is whether or not Beijing will manage, or wants to discipline the lower bureaucracy, stop the credit fiesta, stop the theft of money from funds. If so, then it is bad for the stockmarket.

### **Real estate**

The bureaucracy in mainland China has also become the number one foreign player on the Hong Kong real estate market. Since the Gulf war the value of Hong Kong real estate has increased by 200 per cent.

Who will benefit if there is a breakdown in the system? Marc Faber, a well known capitalist in Hong Kong commenting on the fall of the yuan: “The economic changes in China have created a class of people who have invested in an economic collapse.” The unskilled members of this “class” just change their yuans to dollars and wait.

In southern China the fields that were previously used for rice and other crops are being cleared for real estate projects. Hotels, offices, summerhouses, golf courses. The land is waiting for the arrival of foreign guests. There is a lot of waiting going on. Speculation, corruption or sitting at the side and getting paid for helping is the natural reflex of the bureaucracy.

### **Big profits**

There will be high “growth” in real estate, the entertainment industry, durable consumer goods. Big profits will be made, or at least will be expected. In agriculture, the infrastructure, primary goods industry and energy there is no money to be made and the problem is one of low growth. capital is flowing from the latter to the former, from north to south. The railways can only meet 60% of the demand. Electricity is cut from time to time in many cities. In textiles and oil-refinery one third of capacity lies idle.

We travel from Gwongzhou back to Hong Kong. For some tens of kilometers we can only see factories alongside the track. Twenty, thirty, forty... grouped in clusters. Between them the former rice-fields are flattened by bulldozers.

The old couple sitting opposite us shake their heads: “This is not right.”

In June, the minister for agriculture declared that the amount of farmland for summer grain harvests would be down by 167,500 hectares. Official economists have projected that this year land devoted to grain will be at least 1.33 million hec-

tares less than in 1992. The comparable shortfall for cotton is 667 thousand hectares.

The Spring of 1993 saw more than 200 peasant uprisings against local authorities.

### **Besieged**

These were not small skirmishes. In May in Renshou county, Szechuan, more than 10 thousand peasants besieged local authority buildings.

Whole villages have revolted against local rulers. People who have been unable to get out their money from local post offices break in and beat up personnel. Violent arguments over who owns what land and the intervention of the army to stop fights bear witness to the tensions.

The security police report about secret societies in the countryside and “feudalistic peasant empires” being established. In a speech in April, the chair of the National Peoples’ Congress, Qiao Shi cited the growing influence of a “peasant emperor” in Hubei, a demobilised soldier from the Peoples’ Liberation Army.

Emergency meetings in Beijing have been frequent. It is still the countryside which is the economic base of China. Thus, it is also the trampoline for “growth”.

When the bureaucracy is accelerating its efforts to increase the gap between its own living standards and the majority; when it is going wild in its search for fast money and capital for speculation; when it is searching for a way to become a ruling class “for real”; it is decisive that they lay their hands on an even larger part of the surplus from the countryside.

There is gold to be found in the pockets of the peasantry. Not because they are rich — on the contrary, they are the lowest of the low. But there are 800 million of them and they work.

People talk of “duke-economies” or



"economic warlords" to describe the situation. The bureaucrats, from provincial level down to the village, do what they like, side stepping central government and higher authorities; fighting for spheres of influence against their colleagues.

These increasingly centrifugal forces — fragmentation, the wave of speculation and the so-called growth — result in a lack of money. This is despite the fact that the amount of money in circulation has increased by 30% over the last three years. It has increased by over 50% in the first four months of this year alone according to government statistics — though figures in the press vary. All the same, the money has gone.

For the peasant this means:

● "White IOUs" — when the peasant sells rice or another crop to the state-buyer, the payment is no longer in yuan. The payment is a white piece of paper which says how much money it can be exchanged into "later". No interest, despite inflation of over 10 per cent.

● "Green IOUs" — millions decide to escape this treatment and go to the city to find a job. When they send any money they have earned home to the village the recipient will only get a green piece paper when they attempt to cash the postal cheque. "There is not enough money in this post office at the moment. We will pay the sum owed to you later." Again, no interest.

Other forms of robbery include:

● New taxes and fees are being imposed. The children's school, roads, fertiliser, tools, seeds... "in order to contribute towards the local build-up". That is, the bureaucrats local hotel projects or their purchases on the stockmarket in Hong Kong.

● Land is bought, forcibly or not, and is used for real estate projects. After this the peasant has nothing but their labour power to sell.

"I shall cut off the heads of those issuing "green" and "white IOUs", executive vice-premier Zhu Rongji shouted at an emergency meeting at the end of June. He had, at the same time, become the new chief for the scandal ridden central bank.

"Forty five different new fees which have been introduced locally are illegal and shall be immediately abolished", was the wording in another government statement. "Those who are guilty shall be punished! The taxation of the peasants must not exceed 5 per cent." This would be less than half what had been the practice in 1992.

Zhu Rongji will be starring in the coming power struggle after Deng.

His fight to re-shape the banking sys-

tem is a good example of his dilemma. At the beginning of July, in his new post at the central bank, he stated that 100 billion yuan which had been lent out illegally must be payed back by the local banks before August 15. One week before the deadline it was rumoured that the goal would not be achieved — and it will not. But Zhu does not dare attack the leaders in the Special Economic Zones (SEZ), protégés of Deng Hsiao Ping, primary executives of the chaos to which the same Deng has lain the ground. Not one word has been said about putting the corrupt bank officials on trial.

However, the threats from the top have created new speculation that there could be, perhaps, a 180 degree turn. References to ancient emperors and their bad advisers in magazines in June were interpreted as hidden attacks on the capitalist road of Deng. There have also been some open attacks. Heart attacks and the flu amongst eighty-year old men are economic indicators in the financial press.

Clearly, the hierarchy is still in place even if its engine is not running very well. Perhaps there are only two main positions left: "do nothing" or "full panic"! How much real action would be unleashed by "full panic"?

In August, Beijing claimed that 1,000 out of 1,200 unofficial economic zones in the south, illegally opened by local bureaucrats, had been closed. The threat is to close more if they do not pass the government inspection.

### Lust for profit

At the beginning of August there were horrendous explosions and fires in the Shengzhen, heartland of Deng's reform policy. Fifteen workers were known to have been killed on 13 August. Many others were missing. For the first time local government spokespeople admitted that safety standards were inadequate. "The lust for profit was put before human life", the provincial *Nanfang Daily* said in a commentary. It added that the fire highlighted how industrial safety had been sacrificed in China's headlong rush for economic growth.

There is a Chinese saying: "Heaven thunders, and no rain." The "closures" will not be effective with anything less than a head-on attack on Deng's line. This is the line which first established the SEZs, tore down the monopoly on foreign trade and started the bureaucracy's fragmenting hunt for money and competition over the allocation of foreign investments. Thus, a prognosis is: those without "connections" must comply with the campaign and stay

calm for a while. Those with better connections will continue more or less as before.

The threat from the top is kept alive. But it never seriously challenges the fact that all the bureaucrats stand above the law and tend, more and more, to do what they like with "their" money — a "line" not without roots in a thousand year history.

The transformation — from bureaucrat to capitalist — must exist in many minds as a personal possibility. But how will it take place on a broad scale? The bureaucrat is, at the same time, a corrupted "helper", speculator, trader. As an individual fortune-seeker the bureaucrat divides and tears the market into small pieces. This is not a good basis for capitalism; rather a basis for "anti-feudalist" revolts... It is the connections upwards and sideways, the personal position in the bureaucratic network, in the "Party of princes", that is the asset of the party cadre. If the bureaucrat breaks loose from the hierarchy what then will they have to offer an American capitalist, any foreign investor searching for a good investment?

### Legitimacy

There is no serious opposition to the market reforms as such. The fear in the centre and the reaction among Party leaders stems more from the threat against what once gave the Party an important part of its legitimacy — perhaps the only legitimacy that remains: the Party unified mainland China and kept the huge nation together.

Thus, market reforms, but in unity and with discipline? This is not easy. Who shall be criticised and attacked?

"The central leadership cannot deny that the major culprits of overheating the economy (are) the fast-growing number of corporations affiliated with senior cadres, military officers and their offspring", says one of many analysts in a choir.<sup>2</sup>

There are 100 thousand millionaires in yuan in China today. Some 10 thousand of these have the same family names as the veteran leaders of the Long March. Of course, they are one, two generations younger.

The son of Deng (in a wheelchair since the cultural revolution) has become a symbol for corruption through his transformation of the Chinese league for Disabled to a firm importing Japanese cars and fridges. The sons, and the sons of the sons of Deng are engaged in speculative business in Hong Kong.

2. *South China Morning Post*, June 23, 1993.

But there are also other developments which could carry real capitalism into China.

In Hong Kong, Taiwan, Singapore and the whole of south east Asia — the Chinese bourgeoisie who fled China in 1949, and their sons and daughters have already started. They have been responsible for 75-80 per cent of capital investment in mainland China during the last twelve months. In Indonesia the regime has complained about lost investments and the rich Chinese being disloyal, thinking too much of their homeland.

In May 1989, a nervous Li Peng came to the San Gong steel factory outside Beijing to give a speech. Leaflets from the Free Workers' Association were circulating: "We support the students fight against corruption, but we also demand..." Now the bureaucracy faces demands of a different kind. This "Capital Steelworks Ltd" has been introduced onto the Hong Kong Exchange together with eight other big state companies. It is investors who are now making demands — for increased profits.

### Bankruptcy

However, this is no longer alien to the bureaucracy. The bankruptcy law which has existed for some years has now started to be put into practice. In November of last year 3 thousand workers of a big textile factory in the south were fired and the bankruptcy was established by a court of law.

When the shares for a state industry have been introduced the majority have been sold to foreign concerns. Today, less than half of China's companies are state-owned. In the city of Wuhan a capitalist from Hong Kong was allowed to buy 51 per cent of the stocks in the Two Dyeing factory. Twelve hundred of the two thousand employed were fired. Workers younger than thirty-five could keep their job. The working-day was increased from eight to ten hours.

In this way the pressure increases on the traditional urban working class. And to this is added the the mighty pressure of 100 million escaping from the economy in the countryside. The "iron ricebowl" — the nickname for the former safe state-employment — is cracking up. Over 20 per cent of the workforce in state-owned company today can be contract workers.

But in their direct robbery the rulers in the cities seem to be a little more careful. The "white" and "green IOUs" of the countryside have their city counterpart in the "red IOU". When wages are collected 20 per cent has been subtracted by the management for "investments". The dif-

ference however, is that the red paper promises interest and repayment by a fixed date.

All oppression in China seems at first sight to be unbroken. There are still thousands of political prisoners — authors and intellectuals — and hundreds of merciless death sentences are carried out publicly after arbitrary trials.

But there are some examples from Spring of this year that show the rulers are nervous in the face of mass protests.

In June over a thousand students at a university in Xian managed to stop a hated road project with their demonstrations.

In April the protests of students in the town of Loudi, Hunan, forced the police to release a popular professor from prison. He had been beaten up by the police on his way to work and then accused of violence against them. The court set him free with reference to "the riots in Beijing 1989" of which one should avoid a repetition.

In July, hundreds of workers went into several days of strike at a factory in Beijing. They were protesting against a transfer of their workplace following a part of the factory being privatised.

In all these cases the authorities have not dared to attack. They have negotiated.

But still: to stop collective action against its power the Party has waged decades of fragmenting war against the individual. In this way they connected the collective in the minds of the people with humiliation, stupidity, murder, torture, whipped-up mass psychosis, denunciation and treachery within the family and amongst the closest friends.

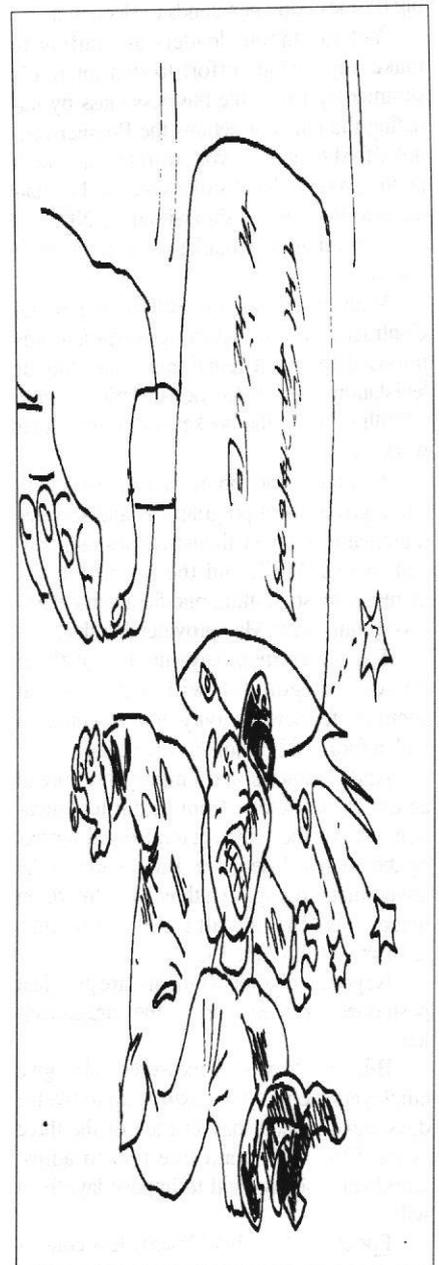
### "The individual"

Now "the individual" is celebrated. For the moment China is a continent where the new message of the bureaucracy — about personal success and getting rich — is hammered out through news and advertisements on television and other media. This has met with a broad response and creates hope. The mass of intellectuals presently see the course set by the Party as the starting point for democracy, rather than the mass movement. They hope that the Party will self-destruct because of its economic policy and yet at the same time, ironically enough, they believe the Party's uninterrupted propaganda about the USA and the "ideals of the west".

One can guess that the "get-rich-first" schema will lead to many disappointments, exposing it as yet another propaganda campaign from rulers who refuse to go. The numerical increase in the working class that will be created by the drive for capitalism will need time to come to-

gether, in concrete organisational forms, before it can dig a grave big enough for this dictatorship. The monstrous and ludicrous rule of the bureaucracy — who try to say: "Socialism? It is us", just like the French king, Louis the XIV, who claimed: "I am the state" — is so transparently corrupt and discredited before the people that even a short period of economic disorder is felt as one provocation too many. The situation is extremely unstable.

Only revolutionary socialists who distance themselves completely from all the manners and symbols of the hated Party will have their contributions to the movement accepted by the masses. The Spring of 1989 showed how close the Chinese people are to unifying their forces. It can only be hoped that this will be the last campaign of the oppressors against the people. ★



# Contract is a "con-trick"

In the province of Ontario public sector unions, representing over 950 thousand workers, are facing cutbacks in services, pay and working conditions that amount to \$9 billion — all in the name of a "social contract". But as our correspondent explains the "contract" is little more than a "con-trick".

**BARRY WEISLEDER\*** — Toronto, July 30, 1993

**I**f there was ever any doubt, it is now crystal clear that Ontario New Democratic Party (NDP) Premier, Bob Rae,<sup>1</sup> has made his bed with big business, and he intends to sleep in it.

Yet top labour leaders are failing to make any serious effort to disrupt Rae's summer tryst with the business class by initiating the kinds of actions the Premier cannot afford to ignore: work-to-rule, mammoth public protests, local strike votes and a challenge to Rae's leadership within the NDP.

This failure is remarkable given the high stakes.

With the adoption of Bill 48, the Social Contract Act, the Ontario government has imposed the most reactionary, anti-labour legislation seen in decades in order to grab \$2 billion<sup>2</sup> from the pockets of public sector workers.

This comes on top of the over \$4 billion cut in government programmes and services (eliminating over 11 thousand jobs) announced in late April, and the \$2 billion tax increase (mostly hitting middle income earners) sprung in the May provincial budget.

The government says neither of these moves is negotiable within the "social contract" framework; only how to come up with a further \$2 billion in wage cuts.

And if unions and employers, spread across eight sectors, from health to education, do not meet the sectoral fiscal targets by the August 1 deadline, Bill 48 allows the government to impose a three year freeze on wages, benefits and all other increments, retroactive from June 14.

Negotiated improvements are not just postponed for three years — they are cancelled.

Bill 48's "fail safe measures" also give employers the power to extract up to twelve days leave without pay in each of the three years. Employers gain free rein to adjust workload, holidays and to impose layoffs at will.

For example, school boards less concer-

ned about the quality of education than about protecting lavish senior management salaries and perks have already indicated that they intend to designate professional development days as unpaid leave days and to upwardly revise pupil-teacher ratios. "Enabling legislation" accompanying the Social Contract Act permits this kind of contract stripping.

Ironically, when former federal Liberal Prime Minister Pierre Trudeau imposed a "controls" law in 1975, it was far less intrusive into collective agreements.

Also, Trudeau's Anti-Inflation Board at least claimed to control prices as well as wages.

Bob Rae's controls make no such pretence. Assuming a rate of inflation of 3% over each of the next three years, plus the approximately 5% that would be lost in wage deductions for unpaid leave in the first year alone, nearly 1 million Ontario public service workers stand to suffer at least a 14% decline in real wages.

## Private sector

This precedent and example will not go unnoticed by employers in the private sector. Nor is this merely a temporary or short-term setback.

Although the scheduled wage controls are expected to end on March 31, 1996, the Social Contract Act itself, including "enabling" amendments to other labour laws, has no fixed termination date.

Nothing prevents the next (Liberal or Tory) Ontario government from extending the wage freeze, or other provisions, for another three years, or longer! Bob Rae, in crafting this type of anti-labour "War Measures Act", is handing the rulers and their state a major weapon — one that is deadly to free collective bargaining for at least three years, and potentially permanent.

In an olympian display of political cynicism and manipulation, the provincial

government is attempting to make its package of service and labour cutbacks more palatable by promising the following: job security protection, the assurance that pensions will not be undermined, exemption from the freeze for workers earning less than \$30 thousand a year, a pledge that Pay Equity will not be harmed and reduced sectoral fiscal targets for unions that sign a deal.

Responding to labour indignation over the horrendous prospect of re-opening collective agreements, Rae seemed to extend an olive branch to public sector unions by offering to let existing contracts expire before the freeze is imposed in each case.

Quick examination of the details however, reveals that the carrot attached to the stick is a thoroughly poisoned one.

To begin with, there is no guaranteed job offer for laid-off workers. Only re-deployment "where a suitable vacancy exists". Guess who determines what is "suitable"?

Given the dearth of hiring in the public service today, combined with massive cutbacks in funding, re-deployment may, in any case, be a purely academic question.

Furthermore, there is no guarantee that a worker will not be re-deployed into a job with a significantly lower salary.

And what about the \$300 million job security fund? The government says it can be used either to top-up a lay-off victims Unemployment Insurance (UI) benefits to 95 per cent of former salary, or it can be given to employers (yet another subsidy to the bosses) to extend notice of lay-off for one year. But after the year is up, the worker is still out of a job, and/or out of the UI benefits.

The job security fund is limited to \$100 million per year. This fund could be quickly exhausted by the large number of lay-off notices employers will feel compelled to issue in order to meet fiscal targets in the weeks ahead. Government transfer payment cuts to employers in the broader public sector came into effect on July 1.

Incidentally, none of the job security measures applies to the 11,000 workers given termination notices arising from the \$4 billion cuts announced in April. Remember,

\* The author is a member of the Executive of the Ontario Public Service Employees Union and of the section of the Fourth International in the Canadian state.

1. Each state in Canada has its own premier or prime minister. The NDP is the Canadian affiliate of the social democratic Socialist International.

2. All figures are in Canadian dollars.

that part is not negotiable.

Oh yes, there is one more little problem. The federal workers who administer UI have told Ontario leaders of the Canadian Union of Public Employees (CUPE) that a UI top-up is legal only in the event of a temporary lay-off. Without changes to federal regulations, that would leave the majority of those laid off either disqualified, or solely on UI... for 38 weeks.

Concerning pensions, it is difficult to believe that government when it promises not to undermine the actuarial soundness of pension plans by withholding its contributions (and thus forcing workers to pay more in the future to keep plans afloat) given that just before the 3 June break down in social contract talks government negotiators said Queen's Park would be saving \$500 million in contributions in each of the three years of the projected pact. Rae's promise of joint union trusteeship of pension plans, labour's long standing demand, would be hollow compensation for a gutting of the funds.

Even putting that aside, however, workers nearing retirement will be severely harmed by the wage freeze because pension levels are determined by a worker's best five years of earnings, which are usually the last five years. Reduced pensions will be Bob Rae's lasting legacy to older workers.

Exemption from the freeze for workers earning less than \$30 thousand is also not assured because the earnings of part-time and on-call workers (like substitute teachers) will be calculated as an annual full-time wage pushing many above the cut-off, even though their real earnings are below the poverty line.

Pay Equity gains are threatened too, if only for the fact that members of the target groups (women, black and other ethnic minorities, Aboriginal peoples and the physically disabled) will likely be laid off in disproportionate numbers.

Despite the government's claim to be guided by social conscience, regulations in Bill 48 over-ride workers' protection under other laws, like the Employment Standards Act, grievance rights if dismissed, working conditions and benefits.

According to Sack Goldblatt Mitchell, Bob Rae's former law firm, Bill 48 would allow the government to arbitrarily replace a union refusing to co-operate on concessions with a company union that would bargain for its members under the social contract.

What an incentive for labour to reach an amicable consensus with government!

And what could be more cynical than the government's offer to reduce sectoral fiscal targets by 20 per cent where sectoral agreements are reached between unions and employers? This clearly demonstrates that the fiscal targets were arbitrarily set, and that

the offer of target reductions is a political ploy in a political power game, the aim of which is to show Bay Street<sup>3</sup> that an NDP government is capable of hobbling public sector unions and establishing a lower-level playing field for all the bosses to enjoy, across the public and private sectors.

Finally, there is the offer to let existing collective agreements expire before controls take over. Rae picked up this gem from tough-talking, sweetheart-dealer Ted Roscoe, Canadian director of the Service Employees International Union (SEIU). Some union leaders seem to think that such a gimmick would create the illusion that they had preserved the sanctity of contracts.

But it would not really protect the integrity of collective agreements. Many local union branches have recently signed two-year deals with 0 per cent in both years. Five years of zero destroys a worker's purchasing power, tears away any longstanding mechanism for cost of living adjustment and, as argued above, undermines pension earnings.

### Speed-up

Neither would a postponement of the wage freeze prevent employer tampering with staffing ratios, and other forms of contract stripping, resulting in drastic worker speed-up, and rising stress and accident levels on the job. Cuts in services to the public would simply proceed unhampered.

Union collaboration with this Social Contract, whether it is phased in or otherwise, is no face saver for anyone except Premier Rae.

No union should be a party to such a brutal assault on the rights of working people. Let the labour traitors legislate and enforce their odious programme if they will; workers should resist every inch of the way, not collaborate.

Bill 48 should be rescinded, not amended. The earlier \$4 billion cuts should be reversed. And Bob Rae should be removed from the party leadership if he refuses to break the government from its present course.

The Public Services Coalition, comprised of some twenty eight unions and associations, remains intact. It organised a march and rally in Toronto on July 10 to oppose Bill 48.

But the coalition lacks a winning strategy that can unite non-unionised workers, the unemployed, as well as private and public sector employees in a struggle to save public services and defeat the bosses' austerity drive. This was evident in the protest rallies held in eighteen cities across Ontario on 29 May which drew few people outside the ranks of the sponsoring provincial public sector unions. The same was true at the rally

in Gananoque, Ontario, site of the Ontario NDP Provincial Council meeting on June 19.

The high point of Coalition solidarity, when the unions broke off the talks on June 3 in the face of a provocative "final offer" from the government, quickly withered on the vine without any serious mass action follow up in work places, combined with broader community coalition building.

Inaction allowed the government to regain the initiative.

The Coalition for a Peoples' Agenda, based in the Toronto-Hamilton-Niagara area, is correctly attempting to bridge the social sector gaps, to instigate mass actions, and to agitate inside the Ontario NDP for a leadership review — but it lacks the necessary union resources and involvement to really take off.

And now the Public Services Union Coalition is under increasing strain as a number of its components stumble back to sectoral bargaining tables under the draconian terms of Bill 48.

Unfortunately, with the Ontario Public Service Employees Union (whose executive voted by 21-7 to return) and SEIU leading the retreat, smaller organisations in the Ontario public sector feel pressured to "be there too" to protect their interests in the event a deal is made. So far, CUPE Ontario is refusing to go back, partly under orders from a large June 19 divisional conference, and partly because its highly autonomous local branches tend to reserve bargaining to themselves and may try to cut deals with their immediate employers.

It made sense in May for unions to be at a central bargaining table, and perhaps at sectoral tables too, using that situation as a platform to expose government intransigence and to publicly present viable union alternatives to cutbacks.

Today, in the wake of Bill 48, it makes no sense. It only gives credence to a discredited and destructive process that disorients our members and sidelines our allies. And it leads inexorably to worker concessions, with a union signature on the bottom line that will haunt the signatories for decades.

The crucial perspective of an all-out struggle, focussed on mass political action and the broadest public mobilisations against the government, is undermined by the spectacle of important unions at concession-driven sectoral tables.

As the saying goes, it is hard to suck and blow at the same time. ★

3. Bay Street is the name given to Canada's main financial district. Similar to London's "City" or New York's "Wall Street".

# Polish democracy is sick

ON May 28, less than one year after the ignominious fall of the rightwing anti-communist government led by Jan Olszewski,<sup>1</sup> the Polish Diet passed by one vote a motion of no-confidence against its successor Hanna Suchocka. On the following day, President Lech Walesa announced the dissolution of parliament, while at the same time asking the government to continue its rule until the general elections scheduled for September 19 — so that it could implement the very policies rejected by Parliament. After one year of parliamentary instability, scattered and growing social conflicts, Poland's young bourgeois democracy is now going through a new and significant crisis — the fourth since the neo-liberal orientation of capitalist reconstruction was taken in January 1990 by the first government composed of forces which emerged from the ranks of Solidarity.

JAN MALEWSKI — July 24, 1993

THE stated goal of the economic and social policy of the new Polish regime was the building of a market economy in the ruins of the centrally planned bureaucratic economy. The recipes used were of the usual monetarist variety — and had the initial goals of putting an end to hyper-inflation and ensuring the convertibility of the zloty. The social costs of such measures were to be lessened by the new government, thanks to its historic and personal links to the anti-bureaucratic revolution of 1980-1981 and the decade of clandestine struggle that followed the imposition of a state of war by the final bureaucratic regime. It was as if history needed symbols: the motion of no-confidence against the government was made by deputies from the Solidarity union at the very same time that the union was making preparations for a general strike in defense of purchasing power. And one month later, during its fifth congress, the union broke away from the person who had for years been its leader and symbol — Lech Walesa.

It has to be recognised that in spite of the numerous political crises, the stated goal has for the most part been achieved. While in 1989, the private sector's share in the country's non-farm Gross Domestic Product (GDP)<sup>2</sup> was only 29%, by the end of 1992 it had reached 45% — that is, as much as in 1939. The private sector's share varies from one sector of the economy to the next: at the end of 1992,

it was lowest in industry (31% of business and 24.6% of the workforce). In trade and construction, the private sector dominated (respectively 90.5% and 77.7% of business and 88.6% and 62.2% of the workforce in these sectors).<sup>3</sup>

The unequal fiscal treatment accorded to the public and private sectors has led to a great difference in the growth of production between the two. As such, in the last trimester of 1992, industrial production grew by 48% in the private sector (compared to the same period in the previous year) while it actually decreased slightly in the public sector — a difference which can not be explained solely by referring to the growth in the number of private sector enterprises.

## Control

Privatisation in Poland can take several forms. The first stage consists of changing the status of an enterprise from being state-run — in which workers have a considerable amount of control, through the workers councils — to one which belongs to the Treasury and whose status forbids the existence of a workers council. After this, the Ministry of Property Conversions sells shares of the enterprise to private takers (to this date, 70 enterprises have been sold in such a manner) or makes a rent-to-own deal (651 cases by the end of June 1993)<sup>4</sup> which often works to the advantage of the enterprise's employees, with the managerial layers taking over the

lion's share of control.

The other method consists of placing the enterprise under legal liquidation and selling its contents, often for a symbolic amount. By the end of 1992, about 650 enterprises had been privatised in this way.

Finally, the setting up of a stock exchange in Warsaw, which occupies the former headquarters of the central committee of the United Polish Workers Party (POUP), is the icing on the cake of the capitalist restoration. Eighteen firms are quoted on the boards and stockmarket speculation is growing in leaps and bounds.

Janusz Lewandowski, minister of property conversion, did in no way hide his intentions in January when he said, "If we can avoid a political collapse, this year we are going to bid farewell to the formula of the autonomous, self-financing and self-managed enterprise developed in 1981",<sup>5</sup> a formula which had been the standard of Solidarity for a decade.

## Acceleration

Over the last few months, the privatisation process has been noticeably accelerated. Shares for some 20 enterprises have been sold, representing an increase of about 30%. On April 30, after nearly two years of hesitation, the Diet approved the mass privatisation programme (PPP), which affects 600 public firms whose shares are meant to be accessible to all Polish adults. It is worth mentioning that this bill could not have been passed without the support of several leaders of the main organisation of the parliamentary left, the Alliance of the Democratic Left (SLD).<sup>6</sup>

1. J. Malewski and J. Wardega, "War at the summit", *International Viewpoint*, No 234, September 14, 1992.

2. Polish agriculture was about 80% private from 1957 onwards.

3. *Zycie Gospodarcze*, No 8, February 21, 1993. See also *Conjoncture*, DEEF Paribas, May 1993. For a complete description of the transformation of the legal system to make it the guarantor of the respect for private property, see *International Viewpoint*, No 234.

4. *Gazeta Wyborcza*, No 162, July 14, 1993.

5. *Zycie Gospodarcze*, No 5, January 31, 1993.

6. The SLD was founded by the Social Democracy of the Republic of Poland (ex-POUP) and some twenty other organisations, including the OPZZ union federation. In June 1993, some leaders of the small Polish Socialist Party (PPS), including its president Piotr Ikonowicz, joined it — thus reflecting an opening of the SLD, in the run-up to the elections, to the left that emerged from Solidarity.

Even though the dissolution of the parliament pre-empted the nomination of deputies to the monitoring council of the PPP, the government decided to go ahead without it and put the legislation into effect on July 14. It seems that Poland's governing elites are seeking to create faits accomplis which can not be overturned by a new majority government following the upcoming elections.

If the structural changes correspond to the goals set in 1990, the same can not be said about the economic situation.

## Inflation

Inflation, which was 251% in 1989, has clearly been reduced — after hitting a high of 586% in 1990 (the year prices were freed) — to 70% in 1991 and 43% in 1992, but this is still very high. What's more, according to both foreign and Polish experts, the deflationary process appears to have run its course. Forecasts for the coming year vary between 32% (according to the 1993 budget) and 40%, as announced by the vice-minister of finances.

The causes of this inflation are not to be found in the financial clout of the population, which has seen its standard of living seriously lowered (real income of wage-earning households dropped by 27% between 1989 and the end of 1992). Rather, they are directly linked to the process of structural transformation now underway: the selling off of the most profitable firms at bargain basement prices; the tax free status accorded to new private property owners; unreasonable taxation of the state sector, leading to a massive drop in production and a considerable reduction in public income.

Industrial production stabilised in 1992 at a level 35% lower than that of 1988. But this stabilisation immediately led to the reappearance of the foreign trade deficit — estimated at \$2.5m at the end of 1992 and which seems to be growing this year.

Public finances are going through a growing crisis, of which persistent inflation is the most visible sign. At the end of 1992, the state debt had reached the astronomical sum of one trillion zlotys,<sup>7</sup> which represents 85% of yearly GNP! In spite of the successful negotiation with the Paris Club (public creditors) of a reduction of the foreign debt by one half, Poland's external debt continues to grow. While it was at \$40bn in 1989, and \$45bn at the end of 1991, it had crossed the \$46bn mark by the end of 1992.

One can understand the significance

of negotiations now underway with the London Club (private creditors), from whom the Polish government is requesting a halving of its debt — unsuccessfully thus far. On July 22 the Polish government rejected the offer of a 30% reduction of its private debt. Such an agreement would mean that, according to the *Gazeta Wyborcza*, "we would have to pay about \$700m every year, when we can only pay \$400m."<sup>8</sup> Poland once again finds itself on the threshold of ceasing payments.

The economic policy chosen in 1990 had been imposed by the International Monetary Fund (IMF). This institution kept a tight control on the government's policy, constantly applying the carrot and stick approach. The first agreement, signed at the beginning of 1990 and to last one year, was broken by the IMF 9 months later. The second agreement, an Extended Fund Facility (EFF) agreement, was signed for three years beginning in 1991, and then broken in July of that year by the IMF due to the growth of the public deficit.

Finally, in April 1993 a third annual agreement was signed. It imposed a 81bn zloty limit on the budgetary deficit,<sup>9</sup> which is impossible to respect without freezing public sector wages, the measure which led to the no-confidence motion in the parliament and to the current political crisis. The agreement also stipulated that the mass privatisation programme should begin in June and that the rate of inflation should not exceed 32% this year. It can already be predicted that the IMF will not have difficulty finding reasons to break this agreement if it feels it useful to do so.

## Restoration

The decision to go down the road of capitalist restoration was tolerated by the population because it was put forward as the sole possible way out of the crisis. But the fact is that in spite of (or, rather, because of) the success of capitalist restoration, the economic crisis has not been overcome, far from it.

The price the population has had to pay has been particularly high. Aside from the considerable reduction in salaries, there has been a striking increase in unemployment, which has already affected 2.6m people — some 14% of the workforce — and will cross the 3m mark by the end of the year according to government forecasts. The unemployment rate in certain regions is just above 25% of the active population. At the end of December 1992 47.7% of the unem-

ployed were receiving no form of benefit. The overhaul of the tax system — with, on the one hand, the generalisation of income tax in January 1992 and, on the other, the levying of a tax on goods and services — has deepened social inequality.

According to a poll taken in mid-January by the CBOS Institute,<sup>10</sup> one quarter of the population say they are living on the threshold of misery, half the population cannot make ends meet, 20% say they have to borrow to pay for food and 10% borrow to pay rent, gas and electricity.

But there have also been those who have benefitted from the changes. There are estimated to be 10,000 Poles who have more than \$100,000 in savings and, though few in number, the new national capitalists make a lot of noise in the media. For example, the Polish Business Council, which only has 22 members,<sup>11</sup> was front and centre in June when several political parties were courting it for support. It managed to get Walesa to issue a Charter of Economic Principles on July 1, which stipulates, among other things, that "the foundation of the system of the Polish Republic is private property and free contracts" and that "the fundamental form of economic activity is private enterprise and private farming."<sup>12</sup>

However, this is a group with no real social weight in the country. Privatisation specialists<sup>13</sup> estimate that national capital can hope to acquire no more than between 10 and 15% of the share of privatised firms. This reveals the weakness of this new bourgeoisie, and has led one commentator to conclude that, "we can expect a new national paradox: a capitalism without Polish capitalists."<sup>14</sup>

It is not surprising that the social base of the regime has shrunk in view of the social and economic balance sheet of the policies adopted over the last four years. Juliusz Gardawski, author of regular studies on the lives of working people, explains that between 1991 and 1992 there was growing frustration among workers who supported the reforms. In 1992, 50% of workers (against 20% in 1991) wanted their firm

7. At the current rate of exchange, \$60bn, but the zloty is quickly losing value. The rate was set at 9,000 to the dollar in 1990; it is now at more than 18,000 to the dollar.

8. *Gazeta Wyborcza*, No 168, July 21, 1993.

9. About \$4.5bn, which is 5% of GDP.

10. Quoted in *Zycie Gospodarcze*, No 12, March 21, 1993.

11. To become a member, you have to have at least \$2m in private capital and do more than \$10m in business annually!

12. *Gazeta Wyborcza*, No 152, July 2, 1993.

13. For example, G. Majcher-Magdzik of the BAA office, quoted in *Polityka*, No.10, March 6, 1993.

14. Piotr Boczynski.

to remain public, even though 80% accept the idea of developing national capital. The majority of workers, 57%, reject the privatisation model pursued by the government.<sup>15</sup>

Another study, carried out by Leszek Gilejko, highlights the crisis of political and union representation among workers.<sup>16</sup> Carried out last November in four big public firms, the study reveals that more than one half of workers (59.9%) do not feel they are represented at the workplace, while only 25.9% list the workers organisations (Solidarity 11.1%, the OPZZ union 3.2% and the workers council 11.6%) as their representatives. Nationally, the figures are similar: 56.7% of workers say they are not represented nationally; only 16% mention the unions (Solidarity 10.1% and OPZZ 5.9%) while the various institutions are only cited by 8.4% of respondents (the Diet 3%, the government 3.4%, the political parties 1.5% and the Church 0.5%). These figures confirm and deepen the phenomena observed during the last two elections, which saw abstention at 47% in the December 1990 presidential elections and at 57% in the October 1991 legislative elections.

### Continuity

The current government based its legitimacy on the struggles of workers against the bureaucracy in the previous decade. Its principle leaders, beginning with President Walesa, personally represented this continuity. The main union and political organisations support the government. As a result, the base of the government was composed for the most part of workers in the big state firms. But it is this same social layer which has paid the highest price for the reforms.

Over the last year, this social base has started to rebel. The strikes of the summer of 1992<sup>17</sup>, led by the OPZZ union (historically linked to the old regime), represented a first sign of this rebellion. In December, this time on the initiative of Solidarity, the strikes spread and the miners of Upper Silesia carried out a long general strike. In February, in response to a call by Solidarity supported by the OPZZ, a general strike of 48 hours against unemployment paralysed industry in Lodz. Finally, the dissolution of the Diet has provisionally ended preparations for a national general strike organised by Solidarity. While all these strikes have been portrayed as being the products of manipulation by small political groups, this does not change the fact that they have been massive, thus provi-

ding ample evidence of the growing rejection of the government's policies.

This rejection, however, is accompanied by disarray. For while the monetarist and neo-liberal recipes themselves are criticised by certain parliamentary forces — primarily those with origins in the former regime (the SLD and the peasant party, the PSL) but also those from the left of Solidarity regrouped within the Union of Labour (UP) — the same cannot be said of the “system of market economy founded on competition”, that is to say capitalism.

### No alternative

Taken together, all parliamentary forces declare themselves in favour of the market economy and reject the idea of a planned economy, equated with what existed under the former regime. As such, there is still no alternative to the choices made by Solidarity during the handover of power in 1989. It is therefore not surprising that the essentially mythical idea of developing a national capitalism continues to enjoy popular support.

The stakes in the 19 September elections will not involve fundamental choices for society. At the very most, the current leadership teams, supported by the IMF, may see their monopoly contested by forces considered less worthy of confidence — those with origins in the former regime. Polling institutes,<sup>18</sup> while predicting a significant level of abstention, speak of progress for forces considered to be leftwing (SLD, PSL and, to a lesser degree, UP), a weakening of the prime minister's party, the Democratic Union (UD), and the collapse of the other government parties.

Moreover, the new electoral law — which requires that parties have 5% and coalitions 8% to enter the Diet — could shut out a large number of the smaller formations which helped form the government in the last parliament.

Thus the primary concern both of the current government and the presidency is that of finding a way to keep the elites which emerged from Solidarity in power. In June, Walesa, who during the presidential campaign did not hesitate to promise 100m zlotys to every Polish citizen, came up with a new project: the Non-Party Bloc in favour of the Reforms (BBWR). The logo of the new formation recalls that of Marshall Pilsduski<sup>19</sup> and its composition is supposed to guarantee the representation of all social layers.

Walesa has managed to win the support of the leaders of the Solidarity Net-

work of Large Enterprises, a minority tendency of the union, composed of the union committees from its main historic bastions. He is counting on the support of the new capitalists (who, however, have opted for pluralism — some of them figuring even in the lists of the SLD), and on that of the regional political elites and the peasantry. The programme of the BBWR reflects its social composition: in addition to Walesa's Charter of Economic Principles, there are promises for every social group.

Speaking on television on July 13, Walesa introduced his initiative in the following way: “In proposing the formation of the BBWR, I had in mind the need to protect the reforms. [...] There are many people who see the reforms as the source of disarray. But the majority is not aware that there is no other way. It is not the reforms that are responsible for our difficulties, but rather the errors and delays in their implementation. [...] We need an agreement from all sectors concerning the economy: workers, businessmen, farmers and local elected officials. [...] I proposed the formation of the BBWR not to see it dominate the political system, and not for it to push aside the other parties. I want the Bloc to press them into action, to convince them to find agreement. [...] The Bloc has been proposed for all those who are unconvinced by the slogans of the parties and who are tired of the ideological differences and all the talk...”<sup>20</sup>

### Left bloc

On the following day, during a press conference Walesa did not hide his fear of the election results: “Kwasniewski and Miller [two SLD leaders] first, Pawlak [PSL leader] and his group, UD and KPN”,<sup>21</sup> which in his view would not constitute a coalition but “only a bloc of the left”. He has made it known that he has no intention of respecting such a

15. Quoted in *Zycie Gospodarcze*, No.7, February 14, 1993.

16. Quoted in *Polityka*, No.13, March 27, 1993.

17. See *International Viewpoint*, No 234

18. As a general rule, these institutes underestimate the votes for parties originating in the former regime.

19. Jozef Pilsduski, leader of the Polish Socialist Party (pro-independence) at the beginning of the century, founder of the Polish legion during the First World War, supreme leader of the first Polish Republic in 1918 — returned to power in 1926 thanks to a military coup d'etat supported by the left. He set up a strong state, in which the non-Party Bloc of collaboration with the government (BBWR) provided the parliamentary support.

20. *Gazeta Wyborcza*, No 162.

21. Confederation of Independent Poland, led by Leszek Moczulski, is a nationalist party that was founded in 1979 in opposition to the old regime. It runs the small “Kontra” union which came out of Solidarity, and is credited with 10% of votes in the polls.

# Debate on workers' party

result and that the creation of the BBWR has the goal of letting him get out of such an extreme situation: "I would be obliged to oppose [such a result]. I want to serve the nation and protect it from the cataclysm that threatens it. I am in a situation that forces me to introduce a new horse, which will unblock a blocked Poland."<sup>22</sup>

Bogdan Borusewicz, a former Solidarity deputy who left the union in June after its congress had censured him for acting in contravention of decisions of the union leadership bodies, was invited to join the BBWR. He ended up joining the Democratic Union, explaining that Walesa plans to dissolve the new parliament in March 1994 at the very latest and found a new presidential party. "Elections are not always organised to guarantee democracy, but sometimes to give legitimacy to an un-democratic regime," he said to *Gazeta Wyborcza* after his private meeting with Lech Walesa.

## Neutralise

The appearance of the BBWR is dividing the political elites which emerged from Solidarity and reviving the "war at the summit". However, it has already allowed Walesa to neutralise the union committees in Solidarity's bastions. And if the results of the elections are not too unfavourable for the liberal option, it will allow him to support the new governmental coalition while dictating his own terms. And if the results are wholly unfavourable, he will have an instrument to legitimise presidential strong-arm tactics.

Whatever the result of the September 19 elections, the pre-election campaign has already shown that the young Polish democracy is sick. Sick from having been founded in an undemocratic agreement between Solidarity leaders — who didn't see the need to consult their base — and the heirs of Stalin. Sick from having neglected the interests of those who brought it into this world. Sick from the unending struggles that divide its elites cut off from reality. For this, Walesa along with those who are today denouncing his undemocratic projects bear the greatest responsibility. ★

**Amidst the continuing violence and, in many respects, because of the disappointments of the negotiating process, important sections of the South African left are discussing the need for a mass workers' party. This debate will be of central importance in the run-up to elections and beyond. We report on the opening round.**

**GERRARD — August 28, 1993**

**A**T a special delegate conference in July the Workers Organisation for Socialist Action (WOSA) resolved to make the campaign for the formation of a mass workers' party a central priority in the run up to the proposed elections next year.

In a press statement issued following the conference, WOSA declared that: "Only an independent mass workers' party can halt and reverse the wholesale compromise of the interests of the working class by the negotiators at the World Trade Centre."

WOSA had discussed the campaign for a new party previously, at their Easter 1992 Conference. They believe that the platform for such a party should revolve around basic working class demands: jobs for all, a living wage, no retrenchment,<sup>1</sup> free education and health care, decent housing, women's rights, self-defence and environmental issues.

## Major affiliates

The timeliness of the campaign and its potential impact is no flight of fancy on the part of WOSA. The 23 July *Weekly Mail* reports that support for the proposal can be found amongst the Congress of South African Trade Unions' (COSATU) major affiliates.

In particular, the National Union of Metalworkers (NUMSA) — the country's biggest union — has called for the

formation of a workers' party and for COSATU to convene a conference on socialism. They envisage a party with a federal structure whereby the Communist Party (SACP) could join alongside other leftwing organisations such as WOSA.

Other unions thought likely to support the move are the Transport and General Workers' Union (TGWU) and the South African Commercial, Catering and Allied Workers' Union (Saccaw).

A recent discussion document written by the TGWU's national education officer was vociferous in its criticism of COSATU's current political direction, especially its proposed reconstruction accord with the ANC, SACP and others. While the officer was disciplined for writing the paper as if it were the formal position of the union, it has been supported by a number of local branches.

## Reaction

The SACP's Jeremy Cronin has responded by saying: "The call for a workers' party is an understandable reaction, but it is the wrong one. There is confusion and demoralisation at negotiations which have dragged on for three years. Working class formations and workers need to assert themselves more."

He added that this needs to be done "inside the movement... or the ANC will be handed over to non-working class currents." Cronin believes that if COSATU were to break with the ANC, it would become an economic and corporatist entity.

This view is shared, at least in part, by the Mineworkers Union and the Food and Allied Workers Union. The latter pledged its support for the "principles and objectives of the SACP" at its congress in July. ★

22. Quoted by *Gazeta Wyborcza*, No 163, July 15, 1993.  
23. Quoted by *Gazeta Wyborcza*, No.168.

1. "Retrenchment" involves the forcible movement of workers, often to areas miles away from their family.

## EUROPE

THE tenth annual European youth camp organised by the Fourth International took place in Sweden this year. About 800 youth under 25 gathered from 15 European countries. Sweden was chosen as a result of the recent growth of the Young Socialists, the youth organisation linked to the Socialist Party, Swedish section of the Fourth International.

As in preceding years, the camp attracted youth from organisations of the socialist left with which the European sections of the International have relations.

The average age at this camp was 20. About 40% of the participants were women and 65% of participants were attending their first camp. And even though this camp was held far in the north of the continent, the delegations from Portugal and the Spanish State were quite large. This is without a doubt the expression of a real political will and concrete expectations: to demonstrate that a radical and anti-capitalist European youth does indeed exist and that it wants to discuss its struggles and exchange its hopes.

Once again, the political programme of the gathering dealt primarily with anti-racism, anti-fascism, ecology and feminism. From year to year, while the average age does not change, new generations come to the camp on the basis of specific political and social experiences.

It is interesting to note the evolution of debates and concerns over the years. The generation that came in the 1980s brought with it the experience of the student movements such as that of 1986 in France, the mass anti-missile movement in Belgium, or the anti-NATO movement in the Spanish State. Some participants had played leading roles in these struggles.

Today, the youth do not have these experiences but, instead, the social and political crisis has given them a high level of radicalism and a will to fight the established order.

Inasmuch as the coming years will be marked by big turns in the European political situation, these youth will have a decisive role to play in the new forms of struggle that emerge. No surprise then that a meeting has already been set to plan the eleventh camp, in 1994, somewhere in Europe! ★

## BOSNIA

THE convoy organised by Workers Aid for Bosnia set off from the striking Timex factory in Dundee, Scotland on 9 August. It has been touring Britain holding meetings and collecting aid for Tuzla. Despite



the summer holidays there has been a growing response from the labour movement. Two national trade unions — Graphic, Print and Media Workers Union and the National Union of Journalists — have given their support and further backing has come from local union branches, Labour parties, Labour councillors and a few MPs.

The convoy will visit the annual Trades Union Congress on September 6 before leaving for France where meetings are planned in Rouen, Lille and Paris. From Liege the convoy will split into north-east and south west European convoys. The north-eastern leg will be joined in Hamburg by another Workers Aid convoy from Sweden, Norway and Denmark. The larger convoy intends to make its way to Tuzla in Bosnia via Luxembourg, Strasbourg, Nancy, Besançon, Basel, Geneva and Lyon before moving on to Brescia in Italy and then Slovenia, where the campaign will be setting up a full-time office.

In Geneva there will be a joint press conference with the Bosnian government on September 18, to coincide with the weekly demonstrations against the United Nations and European Community carve-up of Bosnia.

Tuzla was chosen as the destination because it is the heartland of multi-ethnic, multi-national unity against the division of Bosnia. It is the most industrialised region of Bosnia and its workers are renowned for their solidarity with the struggles of workers throughout the world.

After this first convoy the organisers are establishing international Workers Aid as a permanent body and expect to be sending convoys every few weeks — not least because the response has been so overwhelming that it is impossible to send all the aid collected in one go.

One of the aims is to collect communications equipment to help the development of independent workers' organisations emerging in ex-Yugoslavia. There is an urgent need to establish Workers Aid Committees throughout the world.

For more details Workers Aid can be contacted in London, Britain on (44) 81 694 9799. ★

## KATE TRUSCOTT (1950-1993)

IT is with an acute sense of loss that we say goodbye to Kate Truscott who has died at the age of 43. She was an indomitable fighter with a life-long commitment to socialism, internationalism, feminism and personal politics.

Her entry into socialist politics, in Britain, was shaped by the great social events of the late 1960s. She was an activist in the National Abortion Campaign and the women's liberation movement as well as Vietnam, Chile and Irish solidarity campaigns.

Kate joined the revolutionary organisation Big Flame and served as a member of its leadership. As a shop steward in her health workers union she became an active anti-cuts campaigner and later, after participating in an 18-month hospital occupation, became the first national organiser of 'Fightback'.

In the late 1970s she shared a Socialist Unity election platform with the exiled South African Trotskyist Charlie Van Gelderen and became active in Southern Africa solidarity. Around this time she also joined the British section of the Fourth International (then called the International Marxist Group).

In 1981 she left Britain for Zimbabwe. Kate had no illusions in the radical nationalist regime of Mugabe and in fact helped to build Marxist study groups. She was a founding member of the Zimbabwe Women's Action Group, and worked on a development project as an organiser of rural women's groups.

Kate was working with exiled South Africans and entered that country as a courier establishing contact with the early Congress of South African Trade Union's and clandestine socialist groupings. In order to aid the socialist struggle more directly she eventually settled in South Africa, on the eve of Deklerk's concessions in February 1990.

In South Africa Kate joined the Workers Organisation for Socialist Action and served on the Central Committee with specific responsibility for the Women's Commission. She was involved in the production of WOSA's theoretical journal and newspaper and was researching and publishing work on the history of women's oppression in South Africa, on gender issues in work and education.

She has bequeathed her legacy to establish a socialist education centre in South Africa, to promote the politics she believed in.

Kate died as she lived — fighting for life. Hamba Khahle, comrade Kate. ★