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Europe/USA a stable disequilibrium

17 February 2004, by **Michel Husson**

Paradox of the euro



The whole conception of European construction rested on the postulate that the single currency could only be created as a strong currency, but in fact the opposite happened. The decade devoted to alignment with the Maastricht criteria began in 1992 with a crisis of monetary speculation, which did not prevent the euro, or rather the basket of equivalent currencies, from strengthening in relation to the dollar; in 1995 the value rose to \$1.31. However, at the time of its introduction in January 1999 the euro was worth only \$1.18. And it would continue to fall until a low point of \$0.90 in 2001, equivalent to a de facto devaluation of 30%.

What happened? There is no indication that the European authorities planned to devalue the euro and the slide was greeted with surprise and a degree of concern. In reality, it was not the euro that fell, but rather the dollar that rose. It benefited from a virtuous circle thanks to the high returns offered by the US economy, which served as a refuge for capital repatriated from other countries which had themselves been

hit by successive financial crises (Mexico, then Asia, then Russia). The dynamism of the US, based on the charms of the “new economy”, largely made up for the growth of its trade deficit, which was then easily financed through this permanent inflow of capital.

On the European side, the experience of the 1997-2001 upturn, boosted by the fall in value of the euro, allowed a retroactive appreciation of the ravages wrought by the policy of so-called “competitive deflation”, which became the new norm in Europe. It was possible to verify the extent to which European exports responded to variations in exchange rates. Thus a study by the French ministry of industry [1] shows that a variation in exchange rates of 10% in relation to the dollar “after three years has significant effects on the production of certain sectors, of the order of 2-3% for a vast sector like electrical equipment, up to 8-10% for smaller sectors like clothing or shoes”. Moreover, a rise in the value of the dollar is favourable to activity in those sectors providing the most employment. It is not thus surprising that the fall in the value of the euro boosted European exports overall and assisted economic recovery.

It seems then that something of an operational division of labour has been established between the US and Europe. US growth is transmitted to

Europe through foreign trade on the basis of strong demand on the one side and high competitiveness on the other. You could even talk of a triangular game that also involves Japan; the latter is mired in stagnation, partly because of the overvaluation of the yen. It continues to run up significant trade surpluses, no longer because of the competitiveness of its exports but because of a virtually zero internal growth rate. These surpluses are equivalent to outflows of capital to the US and the “new economy”, Europe and the rest of the world stepping in to complete the financing of the US deficit. This schema was already broadly unbalanced, but few commentators were worried, for great hopes were held out for the “new economy”, at least from the time when it registered significant increases in productivity. It was argued that its generalization to the world economy would give a tangible basis to the prevailing exuberance.

The limits of the “new economy”

The concept of the “new economy” appeared during a specific conjunctural phase (of short duration, from 1996-2001) that apparently contradicted a number of economic laws. Falling unemployment did not seem to stimulate wages, stock market

growth could be indefinitely prolonged regardless of any link with the real economy and the US economy seemed to have found the secret of sustained growth. This configuration certainly allowed the US to register a growth rate clearly superior to that of Japan and Europe and re-establish its hegemonic situation in two strategic areas, technology and weapons production. This configuration was however contradictory from the beginning, because it was accompanied by what British economist Wynne Godley (in a quite premonitory article) [2] called the "seven unsustainable processes". To sum up briefly, these are:

1. The fall in private saving into ever deeper negative territory
2. The rise in the flow of net lending to the private sector
3. The rise in the growth rate of the real money stock
4. The rise in asset prices at a rate that far exceeds the growth of profits (or of GDP)
5. The rise in the budget surplus
6. The rise in the current account deficit
7. The increase in the United States' net foreign indebtedness relative to GDP

There was indeed no escape from basic accounting; for any given country, net borrowing and the capacity for financing it should balance and no "new" economy can get around this rule. The needs of private saving should be covered by entries of capital from the rest of the world or by a budget deficit. The configuration of the US during the new economy can be summed up thus:

1. A strong increase in investment;
2. A regular fall in household savings to the

point where households were consuming 100% of their income;

3. A federal budget surplus which was not enough to cover the needs of private saving;
4. A growing trade deficit, with as its counterpart massive inflows of capital.

The "new economy" does not concern only supply (productivity gains and technical progress) but also demand; any economy would record good growth figures with such a dynamism of consumption which grew more quickly than income, at nearly one point every year between 1995 and 2000. The relatively sustained US growth of the 1990s was based on two key factors; growth in household consumption and an investment boom. However, in the absence of internal financing, this equation could only be resolved by a tendential growth of the trade deficit, at a rate of nearly one per cent of GDP each year.

That amounts to saying that the accumulation of capital and household indebtedness has been to a great degree financed by regular inflows of capital, originating from Japan and Europe, but also from emergent countries after the financial crisis. This movement of capital was so powerful that it contributed to the strengthening of the dollar, in spite of the deficit that should have weakened it. As we have seen, this appreciation of the dollar boosted European exports and was one of the (paradoxical) conditions for the success of the euro.

It seemed that a relatively cooperative arrangement had been arrived at which allowed Europe to embark on renewed growth. There were even some economists who said that the European Union, now equipped with the euro, could become the new locomotive of the world economy, if only it was to invest in the new technologies. Over-hasty theorists of the new economy, like Michel Aglietta, [3] ignored its fundamentally asymmetric character which was an

obstacle to any extension to the rest of the world. All the talk about an alleged backwardness in the area of the "knowledge economy" ignored the reality; European capital had invested in high technology, but on the other side of the Atlantic. Tongue in cheek, it might be said that the US would not be allowed to join the EU should they ask to do so, for they are far from meeting the criteria the European countries have inflicted upon themselves.

The second obstacle that the "new economy" came up against relates to the most classic determinations of the rate of profit. This latter began to fall, only one year after the beginning of the "new economy"; the cost of high tech investment led to an increase in the organic composition of capital, and the share of wages grew. Despite the favourable conditions in relation to financing, it was then a very "old" constraint on profit that provided the rock on which the mini-wave of the "new" economy came to crash. In short, what could not last did not last, and falling stock market prices brought a brutal end to all the illusions.

Decline of the dollar



Romano Prodi

Taking September 11 as its pretext, the Bush government took a whole series of measures in order to avoid a catastrophe resulting from an unprecedented degree of indebtedness. It marked a significant turn towards a new strategy centred on one sole objective: to preserve at any price the conditions of US growth, even if it meant exporting recession to the rest of the world. A whole series of decisions illustrated this new orientation. First, there was the rejection of the Kyoto protocol, on the clearly stated basis that the interests of the US economy came before any other consideration.

Just as unilaterally, and in flagrant contradiction with the free tradeism

imposed on others, the US took typically protectionist measures on steel imports - which they finally revoked - and increased anew subsidies to agro-business. Budgetary policy then took a radical turn with the acceptance of a deficit which grew rapidly, partly because of increased military expenditure but primarily because of a considerable tax reduction biased towards the rich (for example, dividends were exempted from income tax). At the monetary level a clear decision was also made; the dollar was to fall in value in relation to the euro. In other words, the US chose a trade offensive so as to reduce (in part) their deficit through the dynamism of more competitive exports.

The rate of exchange between the dollar and the euro (or, retrospectively, a basket of equivalent currencies) has gone through some very broad fluctuations in the course of the last 30 years. We can distinguish five main phases: [4]

1. The first phase opened with the crisis of the dollar in 1971; after having been detached from gold, the dollar fell in value throughout the 1970s;
2. The second phase, from 1980 to 1985, was marked by a strong appreciation of the dollar to the detriment of the European currencies;
3. The third phase began with the Plaza Accords of 1985, which agreed a forced appreciation of currencies other than the dollar, principally the yen and the mark. Once this de facto devaluation of the dollar had taken place, its exchange rate experienced strong fluctuations, but remained at a rather low level;

4. The fourth phase began in 1996 and saw a sharp appreciation of the dollar in relation to those European currencies that were to enter the euro. This tendency was not reversed by the creation of the euro on January 1, 1999;
5. The fifth phase began in early 2002, when the dollar began to fall in value. Between February 2002 and October 2003, the euro rose in value by more than a third in relation to the dollar.

The rise of the euro and the revenge of “Club Med”

After having lost up to 30% of its value in relation to the dollar, the euro then began to rise. Was this a sign of the good health of the European economy? For devotees of the strong currency, that much is obvious, since a strong euro offers protection against imported inflationary tensions. However, if we take a step backwards, the situation is very uncertain, as a strong currency does not imply a strong economy. The revival of the euro coincides with a slowing up in the European economy, which threatens to become recession.

All the efforts made so that the euro could be created were justified by the expected benefits of the single currency. It would at last be possible, it was said, to develop a real European macro-economic policy, which would lead to growth and employment. You might have the impression that this was working, given that 10 million jobs were created in the EU between 1997 and 2001. However, this was an optical illusion, to a great extent the fruit of the fall in value of the euro that stimulated European exports. It was as if Europe as a whole had

applied that policy of “competitive devaluation” which was being denounced as an aberration for each of the member countries. This very particular period thus gave the false impression that it was possible to simultaneously accept the logic of the convergence criteria and follow policies more favourable to employment.



European parliament

Faced with the new US trade offensive centred on the fall in value of the dollar, a gaping vacuum was apparent in the process of European construction; there was a single currency, but no exchange rate policy. What is the desired level of the euro in relation to the dollar? The Central Bank keeps a beady eye on the 2% inflation target, but, incredible as it might seem, nobody knows what its objectives are in terms of exchange rates and this little detail is not dealt with in any of the founding treaties. That might be seen as an indication that the main function of the euro was not really monetary and that it was, rather, conceived as an instrument for disciplining wages. In any case, if it is to become a real international currency, capable of competing with the dollar, a coherent policy is needed in the area of exchange rates and interest rates. In other words, what is needed would be a European discourse that is autonomous in relation to the monetary (and other) injunctions of the US.

Inside Europe, the current turn brings to light an enormous paradox, that it is the listlessness of the German economy which is helping to cloud the conjuncture for the whole of Europe. During the years preceding the introduction of the euro, sections of the financial bourgeoisie were concerned about currencies that would weaken its credibility coming into the euro. It was argued that the countries of southern Europe (Spain, Italy, Portugal, Greece) contemptuously referred to as “Club Méditerranée” should be kept out of the euro zone, which should initially be constructed around the franc-mark hard core. This option was very

seriously envisaged before the fall of the dollar, when the European conjuncture was still sluggish. Critics of the euro centred around defence of “national sovereignty” argued that the future European Central Bank was no more than a European projection of the Bundesbank.

In reality the decline of German hegemony had largely begun at reunification. The latter event led the German economy to recentre itself on the internal market, in such a way that the staggering industrial surpluses of the past have tended to melt away and, with them, the foundation of the supremacy of the German economy. It was precisely this relative weakening that allowed the “Club Med” countries to enter the euro zone from its establishment. And today, Germany is the first victim of the monetarist logic that it helped to impose on its neighbours. Its exchange rate has been fixed for eternity at too high a level and without being able to play on this variable, it is obliged to brake in its economy and revise its social model, in the hope of adjusting its real costs. This logic of competitiveness extends the climate of quasi-recession to all neighbouring countries for which Germany is an important client.

The manner in which the rate of exchange has been frozen inside the euro can then be read as an amoral fable, in any case if one takes monetarism as a criterion of virtue. In general, the bad pupils practicing devaluation, like Spain and Italy, have emerged rather better from the viewpoint of market shares than the good pupils advocating a strong currency. They entered the euro with a rather advantageous exchange rate whereas Germany and to a lesser degree France, suffered from an overvalued exchange rate. And as the relative position of Germany gets continually worse from the point of view of growth and surpluses, the tension exerted by an overvalued exchange rate is increasingly felt. In other times, it would have been judicious to devalue the mark, even if the symbolic impact would have been particularly strong. In any case, with the euro, this path of adjustment is excluded. It is necessary then to slow down the already mediocre relative growth of the German economy, or

reestablish its competitiveness on the basis of a significant drop in wage costs. This is precisely the point of Agenda 2010, a radical programme of counter-reforms proposed by the German SPD-Green government which represents a profound degradation of the German model.

Table 1: 20 years of GDP

	1981-1991	1991-2002
United States	2.9	3.2
European Union	2.8	2.0
France + Germany + Belgium + Luxemburg	2.7	1.6
Rest of European Union	2.9	2.3
Japan	4.1	0.9

Rate of annual average growth - source: OECD

Two trends were apparent throughout the 1990s. On the one hand, US growth became clearly higher (more than one per cent higher) than that of Europe, while the rate of growth was similar in the 1980s (table 1). On the other, a second differentiation can be observed within Europe. During the last decade, average growth has been 2% for European countries overall. But this has been clearly less marked (1.6%) for the “franc-mark zone” (France, Germany, Belgium, Luxemburg) than for the rest of the European Union (2.3%) and in particular for a group of countries (Spain, United Kingdom, Ireland and Finland) which have enjoyed an average growth of 2.8%, close to that of the US.

Japan’s trajectory has followed a similar chronology. Until the early 1990s, its rate of growth was clearly superior to that of the two other poles of the world economy. From that date onwards, the Japanese economy entered a decade of quasi-stagnation and became completely detached from the average progression of the world economy. The early 1990s represented then a huge turning point; before that, growth was much more homogeneous

between the US and Europe, and inside Europe. Since then, the US/Europe divergence has deepened and there has been a polarization of European growth which had until then been relatively homogeneous. Graphic 2 illustrates this development, which is undoubtedly the basis of the crisis that has just led to the de facto abandonment of the Stability Pact.

The destabilization of the Pact, or the bourgeois impasse

Faced with the growing cleavage inside the EU, the specific interests of each state, with their particular class relations, tend to carry the day over their collective interests, whose management is delegated to the Commission. This is the key to the current crisis of the Stability Pact. The point of departure is the economic and political inability of France and Germany to respect the rule that budget deficits should in no circumstances exceed 3% of GDP. These two countries, which represent nearly 40% of European GDP, have obtained from the majority of the other governments exemption from the sanctions explicitly laid down by the Pact. This decision obviously arose the ire of the Commission, whose legitimacy and autonomy stem in great part from its function as guardian of the Stability Pact.

The crisis runs still deeper than its technical aspects and challenges the essential modalities of the process of EU construction. It could be said that the inconveniences of the euro tend to outdo the advantages. Certainly, there is still a profound agreement between the European bourgeoisies around a neoliberal orientation and notably the necessity of disciplining wages and enlarging the field of the commodity by privatizing public services and social protection. The budget deficits in France and Germany do not result from any desire to apply a policy of Keynesian reflation. They are the mechanical product of the coincidence of a bad conjuncture and a dogmatic policy of lowering taxes for the rich. Pact or not, the project is to recover equilibrium by reducing social

expenditure, as shown by Agenda 2010 in Germany or the freeze on civil service pay in France. We are a long way from a real alternative, which would involve increasing taxation on incomes from capital.

This crisis is moreover sharper because the contradictions are not strictly economic; whether we are talking about the intervention in Iraq or the institutional architecture, the Franco-German duo tends to oppose itself to the rest of the Union. The trial balloons on a "Union" between the two countries reflect this and relate to older projects of a two speed Europe, with a hard core and a periphery of associated countries. However, it should be stressed that this has nothing to do with the defence of different social models; the French and German governments are pushing through very systematic counter reforms that seek an accelerated alignment (never rapid enough, from their point of view) on a standard neoliberal model. It represents a return to national interests or rather a national management of class interests, hence the difficulties concerning the draft Constitution and the Intergovernmental Conference. The cohesion of the European bourgeoisie is today greatly depleted.

This note of crisis is connected to the logic of EU construction. Unlike, say, the German model of the 19th century, it does not involve the formation by addition of a new national economy. One of the reasons is that, each with its own specialization, the European countries are already part of the world market. The phase of internationalization began at the end of the 1960s and the constitution of the single market and the single currency cannot be analysed as the prior condition of such a movement. So there is a particular lack of synch between the European base and the world strategic horizon of the big groups. The single market is not the main outlet as such but the rear base for a broader offensive. For some branches, EU construction nonetheless follows an "aggregative" logic of the constitution of European "champions" according to a schema that sort of extends to the European scale the De Gaulle-Pompidou model of national champions. But this

orientation, rather characteristic of financial sectors like banks and insurance, is far from representing the dominant strategy, which is to build transcontinental alliances so as to accede directly to all areas of the world market. The interpenetration of capital leads to the formation of a "transatlantic economy" to use the title of a recent study; [5] it has already reached such a degree that it is difficult to speak of the US and EU as two separate and competing entities.

In these conditions, the big groups have some specific expectations in regard to EU construction, and their conception of the single market sheds light on their priorities. It might well have been thought that the single market would be more or less protected from international competition.



In this case, the objective would have been to remove all internal obstacles to the circulation of commodities and capital, while maintaining, indeed reinforcing more or less open forms of protection in relation to the rest of the world. The French model could have served as a reference, with a very strong synergy between public orders and structuring of big industrial groups, in the framework of an active European industrial policy. Instead, another road was chosen with the Single Act of 1986. This was not content with lifting internal "rigidities" but went further in making a decisive choice, that of opening the public markets to competition without any "European preference". This choice is consistent with the free market positions of the Commission, in particular its Directorate-General for Competition, which rejects any principle of an industrial policy and any intervention in this area.

In other words the single market is a market open to the winds, because the big groups that set the tone in building the EU have their eyes on the world market. This point is very important because it allows us to better understand the subordinated character of the social aspect of EU

construction, inasmuch as the project of the most powerful sectors of the bourgeoisie is not to construct a genuinely structured and integrated whole. It's possible to go further and raise fairly systematic doubts as to the real need for a single currency. If the intention were to construct the European market as an integrated entity, then the single currency would have been absolutely necessary to manage the interface between a compact European zone and the world market. But since the single market in question is conceived as being open, the necessity of a single currency is much less obvious.

The main virtue of the passage to the single currency undoubtedly does not reside in its function as monetary tool but rather that of disciplinary instrument. It was in the name of the imperious necessity of a single currency that we had to rein in public expenditure and "moderate" wages, in short implement a typically neoliberal programme. This project allowed the unification of the various neoliberal programmes and gave them legitimacy, invoking the demands of the economy and the European ideal.

Some years later, we find that the Stability Pact is "stupid" and the bourgeoisies note that they have underestimated their own degree of cohesion. The Stability Pact is perfect from a neoliberal viewpoint, in that it presupposes a level of coordination between economic policies that is in no way assured. Everything is happening here as if the bourgeoisies were carried away by their own discourse and had forgotten the elements of fragility of their own plans. That leads to a new paradox [6] in relation to the degree of laxity of budgetary policies. Since budget deficits are accounted for in a single currency, they are in one sense the responsibility of all the countries in the euro zone, who should deal with any deviations from the norm though higher interest rates on state borrowing. Before the euro, the financial markets could exercise a constraint by demanding a risk premium or putting pressure on exchange rates. Today, impunity is guaranteed to the extent that the Stability Pact does not rest on a real political will. It has bent at the first

storm, quite simply because its functioning postulates a community of interest between the bourgeoisies which does not exist and which cannot be politically constructed in the absence of an adequate institutional crucible.

The different national economies all have a specific insertion in the world economy; the various countries are more or less responsive to price competitiveness, more or less well placed to capture world demand, more or less capable of attracting capital. The recent debate on the “decline” of the French economy is certainly a caricature, but it points to a real problem, namely the persistence of national imperialisms that still constitute still the framework for social interests. One of the main elements of crisis undoubtedly stems from this. Once neoliberal deregulation has been applied, a certain number of rules and constraints which allowed its introduction now present more inconveniences than advantages.

The polarization in Europe stems essentially from strategic-economic considerations. Differentiation is taking place in a relatively homogeneous manner as a function of two criteria, price elasticity and the acceptance of the predominance of the United States. Such is the basis of the opposition between the Franco-German pole and the other big countries of the EU, mainly the UK, Italy and Spain. These latter countries have less need of a compact institutional integration, an industrial policy, a structural competitiveness, or even the euro in the British case. The UK plays a specific role with a very specific model of integration, similar enough to the US from the viewpoint of its need to attract capital and its ability to do so. [7] This polarization is evident over many points, for example over the modalities of enlargement to the east, but the most striking example is the Iraq war. Even if this cannot be reduced to a divergence of economic interests it is in any case worth pointing to the coherence of these diverse positions.

The world economy: an unstable configuration [8]

Capitalism needs a structuring of the world economy adequate to its current mode of functioning. Globalization poses this demand in relatively new terms and it is perhaps useful to take up the typology proposed around 30 years ago by Ernest Mandel. [9] He distinguished three possible configurations - ultra-imperialism, super-imperialism and the pursuit of inter-imperialist competition.

The first hypothesis, that of ultra-imperialism, should be clearly rejected. Such a scenario, already envisaged in his time by Kautsky, would correspond to a configuration where, as Mandel puts it, the international interpenetration of capital has advanced to the point where decisive divergences in interests of an economic nature among owners of capital of various nationalities have completely disappeared. We are manifestly very far from such a situation and we should draw the lessons of that. The illusion of a condominium balanced between the three poles of the “Triad” (US, Europe, Japan) was floated at a time when the talk was of “Toyotaism” and a “new model of work” and there was ecstasy over the new means of productivity of Japanese industry. It was thought that the US would witness a slow erosion of the very bases of its domination without reacting.



This was also the thesis of “Empire” advanced by Michael Hardt and Antonio Negri [10] which is currently undergoing an enormous practical refutation. It is enough to recall the kernel of their thesis, summed up thus by Negri: “In the current imperial phase, there is no longer imperialism - or, when it survives, it is a phenomenon of transition towards a circulation of values and powers at the scale of Empire. In the same way,

there is no longer a nation-state; the three substantial characteristics of sovereignty - military, political, cultural - are absorbed or replaced by the central powers of Empire. The subordination of the former colonial countries to the imperialist nation-states, like the imperialist hierarchy of the continents and the nations disappear or wither; all are being reorganized as a function of the new unitary horizon of Empire.” [11]

Hardt seeks to maintain the thesis of Empire. In a recent article, he insists on the common interests of the “elites” of the US and those of other countries, in particular in the economic sphere: “Business leaders around the globe recognize that imperialism is bad for business because it sets up barriers that hinder global flows. The potential profits of capitalist globalisation, which whet the appetites of business elites everywhere only a few years ago, depend on open systems of production and exchange. This is equally true for the captains of capital in the US. Even for the US industrialists drunk on oil, their real interests lie in the potential profits of capitalist globalisation.” [12] Hardt goes so far as to present “Empire” as an alternative to US imperialism while denouncing the elites who are “incapable of acting in their own interest”. After having preached to the world’s powerful, Hardt then has some advice for the anti-war movement. [13] Certainly, he says, its anti-Americanism is fed by the unilateralism and anti-Europeanism of the Bush administration. Nonetheless it is a trap which leads to a world view which is too bipolar, or worse still, nationalist. Hardt opposes this narrowness of view to the clairvoyance of the global justice movement, which has succeeded in not approaching politics on the basis of “rivalries between nations or blocs of nations”. This dissociation has no basis, and Hardt’s attitude shows an astonishing theoretical voluntarism that consists in denying a reality that is today very palpable, the return of inter-imperialist contradictions.

What of the scenario of super-imperialism? In this configuration, as defined by Mandel, a single great imperialist power exerts a hegemony

such that the other imperialist states lose all real autonomy in relation to it and are reduced to the status of minor semi-colonial powers. Even if the EU can obviously not be characterized as a “minor semi-colonial power”, this schema seems to correspond well to the hierarchy that has been reaffirmed between the imperialist powers, which gives the dominant role to the US in all sectors - economic, technological, diplomatic and military.

However, it does not account for two striking features of the contemporary world economy. The first is the fragility of US domination. The dominant imperialism is not an exporter of capital and its supremacy rests on the contrary on its capacity to drain off a permanent flow of incoming capital to finance its accumulation and reproduce the technological bases of this domination. It is then a predatory, rather than parasitic, imperialism whose great weakness is not being able to propose a stable regime to its vassals.

The second novelty stems from the degree of transcontinental integration of capital achieved today. It would render necessary the constitution of a US/Europe condominium, a G2 to take up the formula recently advanced by the German Finance Minister, Caio Koch-Weser. [14] To regulate such an integrated economic area, a political coordinating body becomes effectively an objective need, from the viewpoint of the well-understood collective interests of the bourgeoisie. But, to paraphrase Jaurès, capitalism carries competition in itself as the storm clouds carry rain, and globalized inter-imperialist cooperation is a mirage. In the absence of a super-imperialism armed with sufficient supremacy to impose it, it is then towards the third configuration that the world is heading, that of inter-imperialist competition. The definition given by Mandel sums up the current situation

well: the international interpenetration of capital is advanced enough for a higher number of big independent imperialist powers to be replaced by a smaller number of imperialist superpowers, but it is so strongly hindered by the unequal development of capital that the constitution of a global community of the interests of capital founders. The unresolved contradictions between Europe and the US will continue then to weigh on a durably unbalanced world economy.

The world economy: flying on one engine

This expression was coined by Lawrence Summers, US Treasury minister under Clinton, and was recently the title of an important dossier in “The Economist”. [15] One figure sums up the asymmetric functioning of the world economy; since 1995, nearly 60% of world growth is attributable to the US, which represents “only” 30% of the world economy. The general thesis of “The Economist” is that “the world cannot continue indefinitely to rely on American spending”.

Nearly all economists who consider the question believe that the mode of growth adopted by the US since the beginning of the “new economy” is not sustainable. Updating his previous study, Wynne Godley [16] shows that if nothing changes, the trade deficit, already 5% of GDP, will continue to grow to reach 6.4% of GDP, to which we should add the growing mass of interest that the US should pay on its foreign debt. He estimates this net flow of interest at \$200-300 billion, which will be equivalent to 8.5% of the current account deficit as a whole. If the private sector shows new

capacities for saving, accounting equilibrium will require a significant growth in the budget deficit. To simply stabilize the trade deficit, it would be necessary anyway to reproduce constantly the attractiveness of the US for foreign capital. Instead, the instability of the global situation risks discouraging it. It was attracted by the dynamic of the productivity of labour and high levels of profitability, but these favourable perspectives are today challenged. Economist Catherine Mann [17] argues that “At some point... global investors will reach, or even go beyond, the desired proportion of U.S. assets in their portfolios”. It will then be necessary to rely on a fall in the value of the dollar to reduce the current account deficit. However, it might be asked whether this is possible without major recession. The path of devaluing the dollar is indeed sown with dangers. To significantly reduce the deficit, specialists argue that a devaluation, of the order of 40% would be necessary, which will bring the dollar to an unprecedented low. While possible, such a scenario comes up against several obstacles. The first is that this devaluation reduces the value in euros of assets held in dollars; their foreign holders could then be tempted to sell these assets to limit the loss. These sales would unleash a new downward movement that could only be dealt with by a hefty rise in interest rates that would affect growth. An aggressive devaluation of the dollar could lead to the opening of a trade war. The US trade deficit can be partly absorbed, but to the detriment of its main partners, namely the EU and Japan. In this case the US would export its recession only for it to return like a boomerang if it was sufficiently profound to break the dynamic of the world economy, or if it unleashed retaliatory protectionist measures from other imperialisms. This is the economic basis of the tensions to come.

European Anti-Capitalist Left: Preparing for

17 February 2004, by **François Vercammen**



Events intervention of this kind are not new; they have been going on for over a decade. What is different is the growing of the popular masses in the political process. What was once unnoticed or treated with indifference now stimulates the activity, consciousness and commitment of millions of people on every continent. It is not in Europe but in Latin America that the confrontations are at their most convulsive. However, precisely because the process is less brutal and slower in Europe, the regroupment of anti-capitalist forces there has more time to prepare before the key confrontations.

The EU is helping us because of its increased power and the contradictions it provokes among member states. The Constitution contains nothing new but it concentrates in a single, ordered, simplified text all the principles of capitalist modernization in Europe as well as a series of modalities of its application. This document thus acquires an extraordinary clarity. It reveals from its first pages the brutality of neoliberal policy, its imperialist targets, and its military preparation. Unhappily for the EU summit - what was supposed to have been settled in small committee is now debated by hundreds of thousands of people, many of them opposed to the process.

The process is centralizing all the political, economic, social and cultural questions and the questions of everyday life of 450 million citizens. "European governance" has not succeeded in containing the internal contradictions of the EU. From now on all is known and all is discussed. The more the contradictions inside the EU come to light, the more the broad public will get involved and the more

social and political forces will have an impact on events.

EACL - political cohesion

The EACL in its biannual conferences has worked for four years to build a new political force that is pluralist, anti-capitalist and representative. Its creation in March 200 was the result of three combined factors - the EU's offensive around the euro, the emergence of the movement for global justice and the successful experience in several countries of new parties of the radical left (the Red Green Alliance in Denmark, the Left Bloc in Portugal, the Scottish Socialist Party, the LCR in France) opposed to neoliberal social democracy and differentiated from the Communist (Stalinist) tradition. Common programmatic priorities emerged - anti-capitalist and ecologist, anti-imperialist and anti-war, feminist, anti-racist and internationalist. As an alternative to capitalism, a democratic socialist society, self-managed from below, without exploitation of labour and oppression of women, based on durable development. As strategy, a social orientation centred on the everyday lives of workers, full and stable employment, decent wages, a viable income in case of unemployment, sickness or invalidity, or retirement, rights to housing, education, professional training and quality health care. That will require a break with neoliberalism - the redevelopment of public services, reconstruction of the state budget and redistribution of wealth from capital to labour, in short, in order to realise these social objectives, to take all necessary anti-capitalist measures including the substitution of social ownership for private ownership.

There is consensus on these points, together with the common

intervention in the mass mobilisations of a social and anti-war nature and the valorisation of the movement for global justice as essential vector of today's struggles. This is a solid basis, as experience has shown. The EACL as a whole is heterogeneous in its origins, traditions, ideologies, methods of intervention, and internal regime. And each party or movement is free to decide its policies and alliances. All this has created a well-defined and visible anti-capitalist current to the left of social democracy on the European level.

Until now, we have not felt the need to deepen a strategic conception of the road to socialism and to specify what that socialism means, or to give an elaborated ideological coherence to our overall demands. The priority has been the big issues in the world today. Thus, there has been a recurrent and detailed discussion on the EU, its nature and policies, and on the alternative, the strategy for another Europe.

Debates on Europe

There was solid agreement on the idea that our opposition to the EU is radical and that the solution is internationalist, for another Europe. This avoids any nationalist temptation and any illusion that another anti-capitalist policy can be built in "a single country". The main disagreements are the reflection of the very variable degree of integration (mainly economic) of the member countries in the EU and the national civilisation (or the culture/history) of the countries or regions. It is enough to point to: the geopolitical positioning of Great Britain in relation to continental Europe; the big Scandinavian region, very different from southern Europe but very differentiated in itself; Norway and Iceland, still outside the EU, Sweden and Denmark, still outside the euro,

Finland, integrated into it; southern Europe (Spain, Greece, Italy), the so-called "Club Med" with a different economic structure from that at the heart of the EU - Benelux, Germany and France which have been at the heart of European culture and its disasters for ten centuries.

The EACL has made a big effort, with two conferences per year, to overcome misunderstandings, situate real disagreements and test changes. This being done, beyond nuances, two types of strategy of struggle inside the EU have emerged in the EACL.

In the northern countries, to argue for each member country's rapid exit from the EU, via a referendum (see the recent rejection by the Swedish people of the euro). The major political crisis that would follow would pose the possibility of a new EU on another basis. This strategy is based on the hypothesis that the EU is an artificial and fragile construction that would collapse easily in the short term.

In the rest of the EU, the strategic hypothesis starts from social mobilizations of great breadth (undoubtedly beginning in one single country) for one or several social, economic, democratic, or ecological objectives or demands - leading to political confrontation with the national government, which could spread to neighbouring countries. That would lead to a crisis of the EU (which is supposed to react to any challenge to its norms). Without going into details, this second option, which is located at the heart of the EU, takes up a range of European demands, actions and links which would in reality require the construction of an active political, trade union and social movement on a European scale.

The difficulty does not stop there. For the northern countries, the anti-capitalist left must show how a referendum which appeals to all social classes, even if it leads to a political crisis, leads to a questioning of the national bourgeois state and the reversal of neoliberal policies. For the other EU countries, the thorny question of the EU state institutions is posed from another angle. There is a well-known problem that has been

posed to the workers' movement since its birth - how to impose its demands on the bourgeois state (parliament, tribunals, collective agreements) and "legalize" social and democratic conquests? In the EU the difficulty is enormous, the current and future institutions rule out the very concept of legally embodying social demands won at the national level at the European level. There is today an impasse on this key point. The experience of future struggles will indicate the road to follow.

The Constitution and the elections

The 7th conference adopted a coherent, unanimous position on the EU's draft constitution:

"We will transform the June 2004 European elections into a huge mobilizing campaign against the EU's reactionary and regressive constitution and for a different Europe; against neoliberal policies and for an anti-capitalist programme; against imperialist war and European militarism and for peace and general disarmament, starting out in our own countries. Country by country, we aim to provide a strong anti-capitalist alternative which is broad and pluralistic, in order to fight for the European social movement's demands and perspectives.

Yes, we can have a different Europe - if all the social forces that have mobilised these last four years fight for their demands and programmes in the streets and at the ballot box, through mobilisations and elections." (EACL declaration, Paris, November 2003). [18]

Without transforming itself into a European party, the Conference had its first discussion on this subject. An initial proposal was put forward to organise the European anti-capitalist current into a "European anti-capitalist left bloc" (or a "European alliance of anti-capitalist parties") to pursue two concrete objectives. These would be to establish at a national level the strongest and most representative radical left alliance and to discuss possible alliances with other

political currents, in particular parties from the CP tradition, which are in the process of forming a European party.

Representatives of several communist or alternative parties were present at the meeting and actively intervened in this debate. Their orientation was to ask the anti-capitalist parties to join their European party. There are two problems with this:

1. The question of the EU constitution. All positions are present within the CP tradition - against and for, and everything in between. There is also the question of neoliberal policies, the relationship to social democracy, the question of participation in a centre-left government, the European army, the pseudo-humanitarian intervention of a national army in conflicts and so on. A strong campaign requires political clarification on these questions.
2. There is the question of practical positioning on the political chessboard. Over the course of ten years now the CP tradition has become strongly differentiated in relation to size, basic ideology, tactical choices, internal regime and so on. Like the anti-capitalist left, it seeks to survive as a recognised political factor in society. For various reasons (political sensitivities, common work, or quite simply the electoral pragmatism imposed by anti-democratic electoral laws), rapprochements

are taking place on the national level with the anti-capitalist left which in some countries plays a recognised political role.

Anti-capitalist left and Communist left

The electoral landscape is approximately as follows at the time of writing.

- There will be no electoral competition between anti-capitalist left and Communist left in Italy, Spain, Luxemburg, England and Wales, Scotland, Ireland and the Netherlands.

- The anti-capitalist left is integrated in the PRC (Italy) and Izquierda Unida (Spain). In England and Wales, at the initiative of the radical left (Socialist Alliance, SWP) a new left coalition is being discussed involving some intellectuals and artists (Ken Loach and George Monbiot) the Communist Party of Britain, the recently expelled Labour MP George Galloway and some important trades unionists. In Scotland the SSP comprises nearly all the real left. In Ireland, the Socialist Party (Trotskyist, formerly "Militant") has one representative in the national parliament and plans to establish a broad coalition with other components of the radical left. In the Netherlands a good part of the radical left is active in the Socialist Party (a group of Maoist origin), which has undergone a spectacular growth in recent years. In Luxemburg, La Gauche/Die Lenk involves all the left and far left except for the small CP, which has just split,

from it.

- Denmark is a case apart, as the radical left, the Red Green Alliance, has never put forwards its own list for European elections but, having participated in the big referendum campaigns of the 1990s, is supporting candidates on the lists put forwards by the June Movement and the Popular Movement against the EU. The Popular Socialists, of Communist origin, have reconciled themselves with social democracy - they support the EU as a counterweight to the US and they wish to participate in a centre-left government with the centre!

- In three countries, there will be a real electoral confrontation - France, Portugal and Greece.

- In Portugal, a CP heavily marked by Stalinism will face the Left Bloc, a radical and pluralist party with the wind in its sails.

- In France, the LCR-LO electoral bloc will confront the French CP. The stakes are colossal. Because of internal divisions, the PCF has not made a balance sheet of its disastrous participation with social democracy in a neoliberal government. The political earthquake of the French presidential election of 2002, where the revolutionary left obtained nearly 3 million votes, demonstrates this. The political landscape of the broad left is polarised between the SP and the LCR-LO electoral bloc, to such an extent that the Greens and the CP could implode. The regional elections of March 2004 will give an initial indication before the European vote.

- In Greece there is a spectacular change that could transform the political situation on the left.

Synaspismos (whose distant ancestor is the "interior" CP) has just concluded an electoral bloc for the national elections (in early May 2004) with a significant sector of the radical left (AKOA, DEA, KEDA, KOE, Left Citizens List). It is the culmination of two processes - the radicalisation of Synaspismos (the right wing has left it) and the "desectarianization" of a sector of the anti-capitalist left. For the first time in the sad history of the Greek left, fragmentation and endemic sectarianism are being challenged and a credible alternative to the CP (KKE) is appearing.

Our perspective

Institutional manipulations to bar the real left from access to parliament have become commonplace and on our side tactical acrobatics are inevitable. There is nothing despicable in that, provided the relations between the different currents are transparent and the political orientations are clearly defined.

For the EACL cannot forget its perspective of "a new political and social force on a massive scale across the European continent" (EACL declaration, November 2003). For the moment, that means convincing the mass of activists on the social left to participate in the electoral battle. We need to be aggressive and flexible in order to appeal to feminists, trades unionists, intellectuals, citizens, artists and so on. The agenda adopted by the Assembly of Social Movements, at the European Social Forum in Paris in November- two days of mobilization on a European scale on March 20, 2004 against the war and May 9, 2004 against the EU draft constitution - will be ours also.

European Union: failure of the IGC - an aborted Treaty?

17 February 2004, by G Buster

It was then that the EU became the main instrument of the European dominant classes in the era of capitalist globalization. The “pioneer groups” or the “strengthened cooperation” of the two speed Europe, the neoliberal economic orientation linked to the euro, the reconstruction of the economies of central Europe to subordinate them to the dynamics of the single market - in other words, the central elements of the project - were defined then. But the project, with all the sacrifices that it demands from the working classes, did not enjoy the political legitimacy that would allow a sufficiently broad popular consensus for the construction of an institutional system with functions of supra-state regulation and governance.



Approving Stability and the conditions of neoliberal restructuring in the single market through the Growth Pact, the Treaty of Nice in December 2000 provided a legal framework sufficiently broad to allow the extension of the EU to the new member states, without approaching in a definitive way the institutional problems and the question of the distribution of power. Nice opted for a transitional formula, to last until 2009, ensuring a parity vote for the four big member states (Germany, France, Great Britain and Italy), in spite of their demographic differences. Basing itself on the same logic, it granted an exceptional power of veto to Spain and Poland and significant concessions to the rest of the small member states. France's equal political role with Germany was recognized, as was the role of the Franco-German axis as the community's motor force. Great Britain excluded itself through its non-participation in the Euro, but the door was left open so that, after victory in the referendum promised by Blair, it will be able to join the Franco-German axis, and meanwhile can collaborate in the parallel development of a European power, in the areas of

foreign policy and common defence. For Spain and Poland, the veto power obtained in Nice was the guarantee that the financial perspectives (the community budget) for 2007-2013 would be approved unanimously and they can continue receiving European structural aid, of which they are the main present and future beneficiaries.

The Constitutional Treaty

However, a combination of the European recession, the growing crisis of democratic legitimacy of the European institutions, aggravated by the plans for neoliberal reconstruction in the “Spirit of Lisbon”, the political paralysis of the Prodi Commission and the necessity for effective regulatory instruments to deal with the challenge of the USA, in an international framework dominated by inter-imperialist crisis (accentuated by the situation in the Middle East which would lead to the Iraq war), obliged the Laeken Summit of December 2001 to look for a new global framework for the community's functioning.

The Constitutional Treaty was to be the solution to the crisis gripping the EU. The dimensions of the challenge facing the neoliberal EU can be assessed by the ambitious scale of its preferred solution. A Constitutional Treaty - or simply a European constitution, as it was demagogically presented - would open anew all existing European agreements and put in question the entire hierarchy of interests established since Maastricht. Nevertheless, to control this process, the European dominant classes had faith in the capacity for political initiative of the French-German axis - which had replaced the Commission as the motor force in the construction of the community - through a reinforcing of the intergovernmental method, as well as in the capacity of cooption exerted by the structural funds to seduce countries like Spain and Poland and the global institutional

protection of the EU itself as guarantee for the small member states.

A Convention hand picked by the European Council, with an indirect representation of the European and national parliaments, was charged with preparing the draft Constitutional Treaty. The necessity to give a democratic appearance to this debate among cabals was prompted by the enormous democratic deficit implicit in the intergovernmental method. The operation of the Convention, with selective discussions, lack of voting and interpretation of supposed consensus by Giscard d'Estaing, [19] ended up producing a draft Constitutional Treaty that, in practically confiding the functioning of the EU to the Directory of the big net contributor member states, lacked any consensus from the medium and small member states in various aspects.

However, it should be understood that the draft drawn up by the Convention - which basically reflected the agreements of the Franco-German Summit of January 2003 and the “red lines” imposed by Great Britain - could only propose a system of institutional functioning based on the double majority of states and population, despite having no mandate to alter the agreements of the Treaty of Nice. On the one hand because it was the only way to appear “democratic”, and on the other because it ensured the practical functioning within the European institutions of the directory of the big member states, without the danger of medium sized member states wielding a veto in defence of their national interests.

Three recent experiences

It's worth recapitulating on the three most significant experiences the EU has had in the recent past. First, in the Convention itself, when Spain, in order to defend the veto power obtained in Nice, tried to construct a

“rejection front” in relation to the proposal for the double majority from the Presidium of the Convention. In support, it enlisted the small countries (who were excluded from a permanent presence with right to vote on the Commission with the reduction of the latter to 15 commissioners), promising reciprocal support on other subjects, and Great Britain, which sought above all veto power in the areas of foreign, fiscal and social policy. The “rejection front” constructed by Spain was broken by Giscard and the French-German axis who made concessions to preserve an institutional functioning dominated by the Directory, but at an enormous political price.

The second was the war in Iraq and the rupture of the communitarian position with the open alignment of Great Britain, Spain and Poland with the policy of the Bush Administration, not only supporting combat operations, but providing it with political cover at the United Nations in opposition to France and Germany and their strategic ally, Russia.

The third important experience is the history of the rise and fall of the Stability and Growth Pact. Designed by Germany to force the whole EU to carry out neoliberal reconstruction and to maintain the firmness of the euro through a straitjacket of 3% for national budgetary deficits, the Pact became a recessionary policy that aggravated the recession of the European economies, whereas the U.S.A. devalued the dollar to win shares for their exports on the world market to the detriment of the Europeans. After a significant political erosion brought about by cuts in social expenditure (leading to the fall of the Portuguese socialist government and that of the “plural left” in France and threatening Schroder in Germany in 2003) it was obvious that France, Germany, Portugal and Italy could not stay within the margins imposed by the Pact, and that other member states could soon be in the same situation.

When the time came to interpret the Pact “flexibly” the finance ministers of these states (which together account for more than 70% of the EU economy) met with opposition from the other member states.

Commissioner Solbes, who had become the guardian of neoliberal orthodoxy, threatened to impose penalties in the name of the principle of equality of all member states. Aznar did not miss the opportunity to vindicate his strict management of the Spanish budget and its famous “zero deficit” and request that the terms of the Pact were inscribed in the Convention’s draft constitution. The Franco-German axis decided that the interpretation of “flexibility” could not be left in the hands of people like Aznar and added that if Spain was doing so well, it did not need transfers from community funds, which increased the deficits of France and Germany.

The negotiations in the IGC

It is nonetheless strange that Chirac and Schroder arrived at the IGC in Brussels indisposed to make concessions on the question of the distribution of votes. The slogan was “better no agreement than a bad agreement” and they threatened to link negotiations on the financial perspectives for 2007-2013 with the constitutional question and, in case of deadlock, decided on an option of “strengthened cooperation” that would isolate and marginalize Spain, Poland and whoever wished to join them.

We should say that the system of voting is not the only subject at issue. In fact, as will be seen in the coming months, other relevant themes will be opened. Like the articles of the draft constitution on European defence, which are incompatible with the neutrality of several member states and could, for example, be defeated by referendums in Ireland or Austria. Or the problem of the composition of the Commission, in which the smaller member states demand representatives with voting rights. Or all the British “red lines” which would block any European-wide advance on the social front as well as in terms of essential areas like tax harmonization. It is not by chance that on all these subjects, as on the questions of common foreign and defence policy, Great Britain does not trust any

system of voting other than unanimity.

But the voting system has become the key question because it summarizes the question of power in an intergovernmental process. With the Treaty of Nice, Germany, which contributes approximately 22% of the community budget and has 82 million inhabitants, received a quota of 9.2% of the vote, the same as France, Great Britain or Italy, with smaller populations and lesser contributions to the community budget. And two net benefactors, like Spain and Poland, each with half of the population, obtained 8.6%.

With the formula of the double majority of the Convention, extended to 50% of EU states and 60% of the EU’s population, Germany’s voting power rises to 18.2% and comes close to reflecting its contribution to the community budget. A decision made by three of the four big member states cannot in practice be blocked and this provides an incentive for a specific “strengthened cooperation” between the big member states, who will to a lesser extent be tempted by opportunistic voting coalitions with medium or small member states.

That capacity of governance and definition of “European interests” (that is, the interests of its dominant classes), independent of any democratic, communitarian or even intergovernmental institution with respect to other member states, is a key strategic element in the project of construction of a neoliberal EU. It reflects the evolution of the state in late capitalism, especially in the process of globalization and its autonomization of the advances of republican universal suffrage, a central slogan of the labour movement to impose its defensive demands. [20]

In press accounts of the debates in the IGC we see a stubborn resistance from the French-German axis (leaning on a broad coalition of small states, to whom it promised concessions in the composition of the Commission with up to 25 commissioners with voting rights) to any attempt to maintain the legitimacy of Nice on the part of Spain and Poland. Spain offered some compromise formulae that tried to maintain its veto capacity. Aznar tried

to divide the French-German axis, suggesting that Germany's vote be increased from the 29 granted by Nice to 31, at the cost of the guarantees obtained by France in Nice of a status similar to that of Germany, the political basis of a Franco-German permanent axis. Chirac opposed any such agreement. The other Spanish offer elevated the double majority to 55% of the member states and 70% of the population. Apparently the "magic formula" promised by Berlusconi was one of 50% of states and 65% of population, which did not ensure the veto capacity demanded by Aznar. In any case, France had already demanded a firm rejection of any proposal from Aznar as exemplary punishment for any attempt to break the Franco-German axis.

The presence of Polish Prime Minister Leszek Miller at the IGC, albeit in a wheelchair and with several damaged vertebrae following an air crash, was presented by the Polish press as an example of the firmness of the whole nation. Because everybody in Poland knows that the social and economic cost of EU membership is going to be enormous. [21] And the opposition in the Polish parliament, which has made harsh criticisms of the concessions made by the government in the negotiations, could not accept the loss of the voting powers won by Poland and Spain in Nice (nor probably, could sections of the governing Social-Democratic party). These voting powers gave Poland an effective right of veto during the negotiations on the coming financial perspectives, in which it hopes to obtain sufficient structural and regional funding to partially compensate for the consequences of membership. The risk if not is that social conflict, already fired by the reconstruction of heavy industry, will reach uncontrollable proportions and combine with a rural crisis that will become serious with the opening of Poland's agricultural market to community products. From the first moment Miller (unlike Aznar, whose position was shared neither by the opposition nor by a majority sector of Spanish public opinion) intended to return to Warsaw having blocked the draft constitution in the name of Nice (and, in a demagogic way, in defence of other smaller and symbolic Polish demands like the allusion to

Christianity in the preamble to the constitution). The Spanish-Polish bloc in reality did not exist in Brussels. Miller did not want any compromise, whereas Aznar wanted a compromise that guaranteed the maintenance of the blocking capacity conferred on Poland and Spain by Nice, although with another formula.

The debate on the future of Europe

What hope for the neoliberal EU after the failure of the IGC? The practical effects of this failure are limited, although not its political consequences, which will be noticed for a long time in the European process of construction. The Treaty of Nice is valid until 2009. In the coming months the preliminary negotiations will begin on the financial perspectives for 2007; they will enter their decisive phase after the designation of the new Commission this spring and must end by mid-2005. The pressure on the Polish government will become unbearable. Aznar will step down in March before the Spanish general elections and, in case of victory, the new PP government of Rajoy will have no more room for maneuver than Aznar. Chirac has said publicly that the problem is with Aznar, not with Spain. If there are doubts on the price that Spain and Poland will have to pay in case they do not yield, it is enough to read the letter on the next European budget, signed by Germany, France, United Kingdom, Sweden, Austria and Holland - the net contributors - demanding it be limited to 1% of the EU's GDP (as opposed to the current 1.27%). The message cannot be clearer; in the new expanded EU community transfers to depressed regions through structural and regional funds will be drastically limited and the effects on Spain and Poland will be very harsh.

On the other hand, the threat to develop a nucleus of strengthened political cooperation with the founder member states and some new ones like the Czech Republic, Hungary or Slovenia is sufficiently real to be credible. From 1992, when the Maastricht Agreement was signed,

"strengthened cooperation" has been a preferred method of advancing the project of European construction. A two speed Europe has been a reality since then and this will be more true after expansion, when the member states that participate in the Euro will be in a minority in an EU of 25 states.

The European Council has taken note of the failure of the IGC, but has determined it will try and overcome the disagreements at its March meeting, before the European elections of June 2004. The Irish Presidency of the EU will abandon for now the method of the IGCs and will instead attempt bilateral negotiations with each member state to try to reach a magic formula sufficiently obscure so that its acceptance does not cause political problems to any member state. Spain will have to yield, in exchange for financial concessions (as was always going to happen) and Poland, isolated, will have to accept or place itself outside the new EU.

The European dominant classes will draw important lessons. They have always rejected any real democratization of the community institutions, determined as they are to preserve them as a pure instrument of class domination as opposed to the member states, which are subject to the "corporatist" pressures of the working class. The Convention's draft constitution, with some modifications in the composition of the Commission, will finally be adopted sooner rather than later, because the Treaty of Nice has shown itself not only insufficient for an expanded EU, but also in addition dangerous.

What lessons should the alternative left draw? In the first place, the crisis of the IGC has demonstrated that the predicted deep crisis of the UE is not a fantasy but something real. The intergovernmental method implies a formal logic of equality between states that is not compatible with governance in the interests of the European dominant classes, which demand that some states are more equal than others and can impose their hierarchy of values and interests on the rest. Faced with this logic, to support the French-German axis or the methods of the Directory in the name of the defence of the methods of

governance of the neoliberal EU or the “national interests” of the medium states like Spain or Poland is simply suicidal for the left and the interests of European workers and peoples.

The alternative left has on the contrary to locate itself in a totally different field, that of the democratic and social refoundation of the

European project, starting from a real citizenship that imposes its sovereignty on all European institutions and makes the European Parliament, chosen by universal suffrage, the axis of the centre of community decisions. Only a citizen-based, federal and republican logic can take steps to a European

construction based on the interests of the workers and the peoples, without their becoming passive hostages of the mediation of the states and their bureaucracies. This other Europe is possible. [22] Moreover, given the present crisis of the European neoliberal project and its constitution it may be that this alternative Europe is the only one possible.

A new force

17 February 2004, by François Sabado

This media interest was partly a product of the unexpectedly successful presidential campaign in 2002 led by Olivier Besancenot, the young postman who was the LCR candidate; but it was also provoked by the decision of the congress to approve an electoral agreement with France's other main far left organization, Lutte Ouvrière, for the regional elections in March and the European elections in June 2004.



The far left in France has registered some important electoral scores - the previous LO-LCR agreement in 1999 saw five Euro-MPs elected. Some Socialist Party leaders blamed the far left for the defeat of Lionel Jospin in last year's presidential election and for the presence of Jean-Marie Le Pen in the second round.

This article by François Sabado, one of the longstanding leaders of the LCR, summarizes the opinion of the congress majority on the decision to conclude this electoral agreement, which went alongside the decision to continue and reinforce the initiatives and the call of the LCR for the constitution of a broad new anti-capitalist political force.

1 LCR LO Agreement

For the first time in the history of the organization, a congress of the LCR was a political event marking the national political situation. This is the result of combined decisions - the search for an electoral agreement between LO and the LCR, the announcement of initiatives for a new anti-capitalist political force and the capacity of the LCR to update its revolutionary Marxism. [23]

The choice by a broad majority of the organization to make an electoral agreement with LO testifies to the maturity of the LCR, deciding to use all means available to have an impact on the political situation. The current role of the radical left and the revolutionary left is a result of underlying trends. First of all, the political crisis in the country; more than 20 years of neoliberal policies, implemented by successive right wing and neoliberal left governments, have caused a total crisis of political representation. This crisis exploded on April 21, 2002 with the presence of Le Pen in the second round of the presidential election.

This partly hid another major political fact; three million voted for left-wing revolutionary candidates. This rise of the far left is a trend. It was already noted in 1995, with the results of Arlette Laguiller in the presidential

election. It was confirmed in the 1998 regional and 1999 European elections and the 2001 local elections. It can, following a trauma like April 21, grow blurred, as it did in the parliamentary elections in 2002. But there is definitely a new space for the radical left, not only in France, but also in a series of European countries. It results from three factors: first, the social-liberal evolution of traditional social democracy; second, the accelerated decline of the Communist Parties; lastly, and most decisively for us, social resistance to neoliberalism. In spite of the defeats suffered at the level of work organization (flexibility, casualization, deregulation) or pensions, the ruling classes have not broken the potential for fightback from workers and youth. The social conflicts of winter 1995 and spring 2003 in France, as well as the emergence of new generations through the global justice movement, testify to this resistance. It is these new elements on the left that the leaders of the former governmental left parties do not accept. This explains the outburst by SP leaders against the LO-LCR agreement for the regional and European elections. According to them, we are serving the interests of the right by not calling for a vote for them in the second round of the regional elections. But what they reproach us for, above all, is our very existence with this new social, political and electoral strength. Oh, the LCR was “so nice” as long as it did not get more than 2%! When things

get serious, then the SP leaders do not like playing the democratic game. But the LCR does not mistake its enemy. For us, the enemy is the bosses, the right and the far right. And in a situation where, after having sickened millions of workers and young people who were put off from political combat, the neoliberal policy of the leaders of the former governmental left bears full responsibility for the return of the right, the anti-capitalist left is today the most effective instrument against the right and extreme right. For the second round, we will reaffirm the same policy as at the time of the 2002 presidential and legislative elections; we will not call for a vote. Some of our voters will vote for the left. Some will abstain. We understand both attitudes. If the left candidates want the votes that went to the far left, they have to convince the voters! We will call for a vote for the left only if there is the risk of a National Front victory. Our goal in these elections is to reject the idea that the political and electoral field belongs to the right, the neoliberal left and the far right, and to make the revolutionary and anti-capitalist left the fourth political force in the country.

2 The new force

For ten years, the League has noted the end of a whole historical cycle of the movement, and the need to hold a discussion on “the new period, the new programme, the new party”. After a series of experiments and tests, political developments make it possible to take stock and to continue this discussion. This is of course illuminated by our assessment of the Besancenot campaign but takes into account many other elements.

Our origin and history were marked by left opposition to Stalinism. Since the 1930s, the question of Stalinism internationally and the PCF in France have constituted major questions for our intervention in the class struggle and party building. Leaving aside the question of different tactics (fraction work in the CP, independent group or party, open or “sui generis” [24] entryism, revolutionary youth organization), our perspectives were shaped by the opposition to Stalinism.

This is not the case today. First of all, because Stalinism is in its death agony. But, more generally, we are no longer an opposition. There has been a historic change in the overall configuration of the labour movement. We have direct responsibilities not only in the reorganization of the labour movement and the building of a new political force but also in the rebuilding of a class-based social movement.

Stalinism is clinically dead, but this process coincides with qualitative changes in globalized capitalism that sap the material bases of traditional reformism and provoke a fundamental transformation of social democracy. What we call the “social liberalization” of the socialist parties changes their social base, structure and type of leadership. French social democracy was never a mass party like German or English social democracy. Moreover, neoliberalism and Bonapartism choked the party of Epinay. [25] The equation “struggles, joining trade-unions, growth of reformist parties, vote for the left, left government” does not function any more. The rupture between the left parties and social movements is deep-going. There is a structural break with the popular classes. The social-liberal transformation of a reformism now “without reform” is an irreversible trend, even if the process is not completed. In fact, there is enormous pressure on the whole labour movement. The leadership of the Brazilian Workers Party, which for years had asserted the class struggle and the fight against neoliberalism, is today implementing a neoliberal policy required by the financial markets and the IMF. Another example is the turn of Fausto Bertinotti and the leadership of Rifondazione Comunista in Italy, which is preparing to discuss the perspective of a coalition with the centre-left i.e. with the forces of the Olive Tree and Romano Prodi, president of the very neoliberal European Commission.

That does not prejudice the pace, the resistances or the reactions that might emerge within the CP or the SP. But the distinct and joint crises of Stalinism and social democracy reorganize the shape of the labour movement. Particularly as, during the

last ten years, the oppositions within the CP and social democracy have not developed significantly. In the SP they have not left the social-liberal framework fixed by the general evolution of the SP. As for the oppositions within the CP, they oscillate between becoming satellites of social-liberalism and nostalgic Stalinism. In these conditions, it is a question more of rebuilding or of reorganizing a new labour movement and of building a new political force of the workers than shifting the dividing lines in the traditional left.

The question of a new political force is historically and politically posed. But the situation is contradictory. The spring 2003 strike movement confirmed the aspiration of thousands of activists to a new political force. This arises from the end of Stalinism and the neoliberal transformation of social democracy. It falls in a political context, which is marked by social resistance to neoliberalism. There has been a turn since the mid-, and especially the end of the, 1990s. Globalized capitalism has not stabilized in a new cycle of expansion. The multiple crises, tensions and contradictions dominate. For ten years, wars, like the latest adventure in Iraq, have been the concentrated form of these tensions. The crisis in Latin America, with the Brazilian turn, is an example of this instability. European dysfunctions testify to internal ruling-class contradictions.

But the overall relationship of forces remains unfavourable to the labour movement. The neoliberal offensive continues. On the other side, the labour movement, the social movements, the anti-globalization organizations resist. But the effects of the crisis of the revolutionary socialist project on the consciousness of broad sectors persist. There is not yet a social and political crisis of the breadth or historical import, which would provide some first brief replies to the problem of a political solution. The Argentinean situation is a tragic example of this shift between an acute crisis of the capitalist relations and weakness of the political solution. The situation in Brazil is going, from this point of view, to constitute a decisive test.

This gives revolutionary Marxists an even greater responsibility to advance along the path to a new anti-capitalist force. That requires clarifying the forms and content. This new anti-capitalist political force, this new party fighting for socialism, will be the fruit of a social and political reorganization of the labour movement, linked to struggles. It will be able to offer to the social movements the political partner they are lacking. It will not be born from the forces of revolutionaries alone, nor by simple propaganda. This new force will constitute a qualitative leap in the consciousness and organization of broad sectors of the radical, social and political left. It will have to upset the internal relations of forces on the left, by pushing back social-liberalism. The conditions under which these relations evolve will obviously determine, to a large measure, the fight for a new force. But the most probable is that, while causing upheavals in the whole of the social and political field, and while making the essential synthesis between the balance sheet of the past that a section of the old labour movement would make and the essential contribution of the rising generation, its centre of gravity will be outside the traditional organizations of the labour movement. Its potential lies

in the struggles of youth and the social movements, like the global justice movement.

The ideas that we defend are those of a break with the capitalist system. The new party that we want cannot result from a reforming of the traditional left which would not clarify the fundamental questions of the fight against liberalism and for socialism. The ideas of rupture with the capitalist and neoliberal order cannot find their place in strategies whose goal is limited to getting into government and "to "equilibrating" the alliance with a SP converted to social-liberalism. This is why, an "anti-neoliberal front" with the Greens, whose model remains the German "green red" coalition, or with a CP in favour of opening up the capital of certain public companies, would be meaningless. It would add confusion to confusion. Our perspective is that of a force related to the class struggle, which refuses to manage the capitalist economy and institutions. A force which stands for the overthrow of capitalism by a general mobilization of the popular classes, their self-organization and self-government, a workers' government.

This is a long-term battle for which it

is difficult to predict the pace. Elections can speed up the process. The relations between the LCR and LO constitute one of the elements of this process even if, on this question, the positions of LO are an obstacle to moving forward.

We should not reduce our battle for a new force to LO-LCR relations but start from objective needs and concrete possibilities. This is the direction of the Appeal by the congress: a goal is fixed; we will take initiatives on all levels, from local to national, organized in an open way and with a strong political content. And we will assess the dynamics. In this process, the LCR and its members must reinforce their dialogue with anti-capitalist activists and currents. They will create forums for action and debates. If this dynamic goes well beyond the LCR and, in the terms of the political theses voted by the 15th congress, "constitutes a qualitative leap in the consciousness and organization of broad sectors of the social and political left", the question of a new party is on the agenda. In any case, through this same process, we will continue the transformation of the LCR into an open, democratic, political party, rooted in the popular classes.

LCR - Appeal for a new anti-capitalist force

17 February 2004, by Ligue Communiste Révolutionnaire

Together, we fought intransigently in defence of workers rights in the spring of 2003. Together, we have fought against unending imperialist war. Together we have fought against capitalist globalisation, against turning the whole world into a commodity and for the new internationalism incarnated by the anti-globalisation movement.

We are faced in France and on an international level with an offensive against the rights of peoples and of

workers, with a headlong rush towards the destruction of the resources of the planet, with a state of permanent war aimed at maintaining the hegemony of the great American and European powers.

The 21st April 2002 demonstrated the existence of an unprecedented social crisis and a loss of support for the traditional parties, who are responsible, each in its own way, for the neoliberal offensive and for mounting social insecurity. Once again

the National Front gained from this social crisis. The far Left began to appear as an alternative to the parties of the traditional Left. The movement of May-June 2003 against the Fillon Law proved that workers could forge another path than that of submission to the law of profit: the path of a redistribution of wealth in the interest of the mass of the population., of a society that would make the satisfaction of human needs its priority.

Together, we refuse to let our struggles and our hopes be subordinated to a new governmental alliance with the social-liberal Left or to any perspective that means just managing the capitalist economy and institutions. Against the Right, the National Front and the MEDEF, the political alternative can only be a government that bases itself on the mobilisations and the democratic organisation of the people, a government applying a social emergency plan.

The LCR addresses itself to all those who want a left alternative that breaks with all the policies conducted by the social-liberal Left as well as by the Right. We want to say to them that we are ready to unite as of now with all those who are willing to, of course to develop struggles and mobilisations, but also to build a new broad, pluralist political force, radically anti-capitalist and resolutely democratic.

Such a regroupment within the same party is necessary and urgent in order to act together around the main questions that we are faced with and that can in our opinion be summed up in a few points:

- opposition to imperialism, to war, to capitalist globalisation ; to the law and order policies that trample on our democratic rights and institutionalise a violence which aims to perpetuate the marginalisation of those who have the most precarious conditions of existence;

- basing ourselves on the anti-globalisation movement, on the social struggles of workers, the unemployed and young people against the bosses and the governments; basing ourselves on the movements that are combating a productivist model of development that is endangering humanity and our planet, on the movements who proclaim loud and clear the demand for democratic control over choices of development and of production, on the movements that reject the discrimination and the daily violence suffered by women at work and in their personal life;

- refusal to submit to social-liberalism, to the policy of running the institutions of the state in the interests of the minority who own all the wealth, to capitalist Europe, its treaties and its projected Constitution;

- the perspective of a break with capitalism, of a workers' government backed up by popular mobilisations; of undertaking a radical transformation of society that will enable social needs to be satisfied ; the economy must cease to be under private ownership and become the property of all.

This project is addressed to all those who are looking for a political alternative in the interests of working people:

- to the three million electors who gave their vote to the far Left in May 2002, to social, trade union and community activists;

- to communist, socialist and ecologist

activists, to currents coming from the traditional Left and from local and regional groups who are looking for an alternative to the sell-outs of social-democracy;

- to the organisations of the far Left, especially to Lutte Ouvrière with whom we propose to conduct the coming regional and European election campaigns.

Following on from the forums we initiated a year ago, we are proposing that, starting from now, we should organise wherever possible, on the level of towns, departments and regions, conferences for an anti-capitalist left.

We propose that these conferences are jointly organised by all those who are ready to do so, individuals, organised anti-capitalist collectives or currents, on the basis of appeals indicating clearly the perspective of a broad pluralist regroupment for a new force that breaks with capitalism. Conferences for debate and action, they could be the starting point to put forward together political responses, measures that break with the logic of capitalism, social and democratic emergency measures.

Finally, we propose that these initiatives should converge at the end of 2004 in a national conference which would represent a step forward towards the formation of a new anti-capitalist, feminist and ecologist political force, a force that would fight against all forms of oppression.

100,000 demonstrate against austerity in Berlin

17 February 2004, by **Angela Klein , Paul B Kleiser**

The trade unions spoke of their historic alliance with social democracy coming apart and began to mobilize for May 1. However, in reality the union leaderships wished to avoid a

head on confrontation. So there were good mobilizations in some sectors and towns, but a federal movement did not really emerge; the union leaderships still believed that the left

wing of the SPD (and the Greens) could at least moderate the attacks of the red-green coalition against the system of social protection. Nonetheless at the special SPD

conference in Berlin in June about 90% of the delegates voted for the proposals of the Schröder leadership.

The union leaderships who had stressed lobbying inside the SPD and the Greens seemed paralyzed. Several months of great frustration followed, particularly after the declaration of the president of the German trade union confederation (Deutscher Gewerkschaftsbund, DGB), Theo Sommer, that the decision of the SPD conference could not be changed.

A coalition of "Alliances against Hartz" [26] above all in the Rhin-Main region, and some far left groups called for an "action conference" which appealed for a big demonstration on November 1 in Berlin. Significant support came from the conferences of unions like Ver.di and IG Metall, where interventions from the union left won the day, but the national

leaderships did nothing in practice to support the November 1 demonstration so everything depended on which way the local leaderships would go.

A change in popular sentiment developed through the autumn. Almost every day the government or one of its ministers announced a new austerity measure, generating bitterness among rank and file unionists and stimulating mobilization. More than 300 coaches came to Berlin and the demonstration began with some 400,000 people; in the course of the march many Berliners joined it spontaneously. Visibly the culture of Genoa, Nice and Florence had spread to Germany and to the astonishment of observers, an atmosphere of joie de vivre and solidarity predominated.

For trade unionists in particular, this was a very significant event. After

Berlin, a dozen regional demonstrations against the policy of the federal government were held. Against the policies of the governments of the L  nder, in Wiesbaden and Munich, demonstrations drew respectively 50,000 and 40,000 people. A new student movement is being born with demonstrations in many university towns.

Now we need to work to bring together the critical union currents and the global justice movement. In dozens of towns there are already social forums and the German delegation to the European Social Forum in Paris-Saint-Denis was 3,000 strong. It is vital now that we strengthen our work for the construction of a German Social Forum to provide a counter to the logic of competition propagated by all the parliamentary parties.

Raffaello Renzacci (1957-2003)

17 February 2004, by Salvatore Cannav  

Raffaello began his trade union activity upon starting work at Fiat in 1976. His political activism had begun in 1973, when, after participating in the student movement at the Turin technical institute, he decided to join the Fourth International, a political current to which he remained loyal until the end of his life.

At Fiat, Raffaello rapidly became a trade union delegate and a front line participant in the big mobilisations of 1978-1979. During these struggles he was called up for military service. That prevented him from participating in the occupation of the factory, but not from figuring on his return on the list of 23,000 sacked workers (  cassintegrati  ).

Raffaello was among the active builders of the Co-ordination of cassintegrati at Fiat after the defeat of 1980, and was eventually able to return to work in the factory. The experience of the struggle of the cassintegrati would lead to the production of a book of which Raffaello was the editor. He participated with Antonio Moscato in the editing of another book in the late 1990s on the centenary of FIAT, entitled   Cento... e uno anni alla FIAT  .

His union activity intensified in the FIOM (the metalworkers federation) and the CGIL. In 1984, he was elected to its Turin directing committee and then he took part in the movement Essere Sindacato. Meanwhile, after activity in the Italian section of the

Fourth International, the LCR, he was a member of Democrazia Proletaria until joining Rifondazione in 1992. He was elected to the national leadership of the biggest Italian union after the congress of 1996, but he never abandoned Turin, where he was active in promoting the social forum. He represented the Turin CGIL during the European Marches, and attended the first World Social Forum in Porto Alegre.

Shortly before his death, he was involved to the full in the referendum on article 18 [27] and the question of precarious work on which he wrote in   Liberazione   and   Il Manifesto  . He will be sorely missed, by his partner Dorian  , his comrades in Turin, and every one of us.

Interview with Raul Pont

17 February 2004, by Raul Pont



Raul Pont

Raul Pont is a founder member of the PT and of DS. He was mayor of Porto Alegre between 1997 and 2000 and one of the architects of the participatory budgets there. He was the left's candidate for President of the PT in 2001. He is currently a member of the state assembly in Rio Grande do Sul state and again the PT's candidate for mayor of Porto Alegre in next October's local elections.

Q: It's clear from the discussion here at the Conference that everyone has a negative view of the first year of the Lula government. Some more, some less. So what does it mean to "dispute the course taken by the government"?

A: It's true that our current has a negative overall critique of this first year of government, mainly because of the economic policies that the government has continued, and which those comrades leading the government explain as a transitional phase that is necessary for the government to take hold of the mechanisms that will allow it to introduce different policies after this phase is over. They don't put a time limit on this, but those same comrades in the majority tendency of the PT recognize that it will have to change.

Who exactly recognizes that it will have to change?

In the PT leadership meetings they keep repeating that this is a difficult but necessary stage we're going through, that we need to guarantee this stability, to show our administrative ability, show that the Lula government can keep the economy running and maintain foreign relations, so that, according to the

majority, the government can then begin implementing measures based on our programme, ensuring growth with redistribution of income, agrarian reform...

But do you think that is still the aim of the small group at the heart of the government? Do they still think this is just a transition?

I think it's contradictory. I think there are different degrees of commitment. I think that within the central nucleus of the government there are some who believe this. Others, like the Finance Minister, Pallocci, say that other kinds of policies will be impossible in the next year or even within the term of this government. So there is a dispute there. Because the majority manages to remain a majority within the leadership because Lula himself, when he comes to the PT leadership meetings, demands people's confidence on the basis of this idea of a transition, of needing time to take hold of the administrative machinery, establish a majority in congress, or at least neutralise the opposition there, and then begin other kinds of measures. We do not believe in that, of course. But we don't think those who say this are acting in bad faith or deliberately trying to deceive the party as a whole. So there is a dispute within the party that is far from finished or resolved.

So for DS, where is it most important to develop this dispute - around what issues and in which sectors?

We think that in the first place the government needs to stop basing its project on winning support from parties of the centre in Congress. That may seem simple and logical enough, but in reality it becomes a huge obstacle to developing our own political and social strength. It weakens our relationship with the popular movement, with the trade

unions, and at the same time it privileges an arena of struggle which is not our own.

We think the government needs to put its energies into building mechanisms of direct popular participation in the public administration. There are some areas, like the work we're doing with our comrade Miguel Rossetto in the Ministry of Agrarian Development, that do point in that direction - bringing together the government with the landless movement, with the agricultural workers trade unions and their confederation, CONTAG, to develop with them policies for the rural sector, for small peasant agriculture and for this immense landless movement that is fighting for the right to work the land. That's one example. So we think that democracy should be an absolutely central element in the new direction the government should take in its relations with society.

Starting from that, we have to fight for a new agenda, not the one set by the mass media and the IMF, but an agenda of our own. The government needs to take the initiative to set its own priorities. We have far more important things to deal with.

The way the tax reform went through congress is a clear example of this. The government has the powers, within the constitution, to take a series of fiscal and tax measures directly, without going through congress. It's the government's prerogative to take the initiative on the budget for example and on a number of other really important issues.

As soon as we accept that this debate has to go through the congress, we walk into a minefield, where conservatives of the right and the centre have a majority, and they set the pace for the reform. So we had a bill that went to the congress in a form

that wasn't too bad, which included a series of aspects that any PT member could defend, but which was gradually stripped of all these elements as it made its way through the lower house. So now, in the senate, we have a final version of the bill which bears no resemblance to the original proposal. The government has been forced to retreat and put off until some undefined future all the points which would have been most relevant to the interests of the popular classes and to national sovereignty. What's left for the government to negotiate are just those points which do most to undermine its credibility - things like freeing up budget resources which were previously tied to education and health, or the tax on all credit card and cheque transactions, which is highly regressive and feels like daylight robbery to most working people.

So we don't have the votes in congress to get through the proposals for progressive taxation on large-scale property, but nor do we agitate and build a popular movement to show that this was the kind of reform the government wanted to carry out - based on progressive taxes with big companies, property owners and the rich paying more, rather than the present situation in Brazil where almost all taxes are indirect taxes on consumption, paid by workers, wage-earners and the poor.

So that's what we mean when we say that the space is there for a very different agenda.

But for a PT government to implement this different agenda, surely it wouldn't be enough just to escape from the trap of conservative alliances in congress? Wouldn't it also have to confront this question of the 'confidence' of the markets?

I don't think it's a question of escaping from such alliances. They should never have got into them. It was completely unnecessary. We have the experience...

But what about this constant threat that the markets will destabilize the economy?

Well, it's just that, isn't it? A threat. We'll always have that hanging over us. What we need to do is occupy certain areas that allow us to move forward without this creating the kind of confrontation that generates a so-called destabilization of the economy by the markets. After all, even the capitalists in Brazil have an interest in avoiding a situation of permanent instability - it's not good for business. For their economic calculations, for their forward planning, they too need a certain stability. What I was going to say is that in our municipal governments we already have the experience of applying policies and ways of governing that do not depend completely on parliamentary alliances, but depend much more on a direct relationship with the population.

The participatory budgets?

Exactly, the participatory budgets, the municipal councils that draw up sectoral policies, but also having policies that address people's most basic concerns - improving their incomes by combating insecure employment and raising the minimum wage, reducing working hours, attacking the legacy of privatization which in Brazil resulted in a savage increase in prices for public services. For example, electricity, telephones, cooking gas, fuel, began to have their prices indexed to the US dollar, making life absolute hell for workers and the poor, because they have to spend an ever larger part of their wages on things which at least in the major cities have become absolute necessities.

Given the conservative agenda currently being pursued by the Lula government, what should be the role of members of parliament from the left of the PT, at federal and also a state level?

I think at the same time as we defend the PT government and promote those policies of the government's which do have a positive character - for example the relationship with the trade unions has completely changed in terms of repression, the relationship the government has established with the landless movement is also completely different from the one that existed before, some ministries have taken

serious steps towards creating mechanisms for popular participation and consultation, involving the popular movements in the decision-making process. So these are things we have to recognize. The government has not surrendered in the face of Bush's Free Trade Area of the Americas or accepted a foreign policy that under the previous government was totally submissive to the United States. Now Itamaraty, the Brazilian Foreign Ministry, has a different approach, trying to consolidate the South American Common Market, MERCOSUR, and stronger relations between Latin American countries. Lula's intervention in the crisis in Venezuela, the search for greater integration within South America, are tremendously important. For 500 years these countries have been facing in opposite directions, totally subordinated to either Europe or the United States. So having real policies for integration between countries that share so much history and culture and have economic similarities is very important. We recognize that.



Porto Alegre

We think the big problem with the government is that has chosen to subordinate itself to an agenda set by the IMF. We're not even demanding that the government tear up all existing contracts and stop paying. We're saying we recognize that a party which has never been in government at federal level needs some time to adapt, to get to know how the bureaucratic machinery works in a country of 8 million square kilometres and nearly 200 million inhabitants - that's no small matter. But we think there is a clear space for public policies that democratise the budget and invert social priorities, which are things we've already done in the municipalities we govern and in some of the state governments we've run in the past, like Rio Grande do Sul. The government has powerful instruments at its disposal. The Bank of Brazil, for example, and the Federal Savings Bank (Caixa Economica Federal), are powerful instruments for establishing policies to restore economic growth, to invest heavily in

sanitation and low-cost housing, in health and all those areas that really concern the majority of the population, which lacks decent service in all these areas. And that's not money going into the pockets of bankers, but money spent on improving living conditions for the majority of the population.

The government could - it hasn't so far but there's absolutely nothing stopping it - decide to use the Bank of Brazil, the Caixa Economica and the National Development Bank (BNDES) to provide finance for local municipalities. That's what they were set up to do. That's what they're for. But in line with policy 'guidelines' from the World Bank and successive agreements with the IMF, the federal government has closed own credit to small, medium-sized and large municipalities.

But how should you, as a member of a state assembly, or your comrades who are members of congress in Brasilia, be opposing these parts of the government's agenda that are directly dictated by the IMF and company?

We are organizing members of parliament to put pressure on the government, organizing joint actions with parliamentarians from other parties where that's appropriate, mobilizing the mayors. For example, the mayors, including PT mayors are demanding these things because this was part of our programme. When it was in opposition the PT adopted as part of its platform of struggle that Brazil's municipalities should retain at least 20% of all tax incomes.

So this struggle for decentralization, for the financial autonomy of the municipalities, leads inevitably to greater spending on education, health, sanitation, water, popular housing. That's true even if the mayor doesn't want it, because the pressure from the population, the intensity of social demands, forces local governments to move in that direction. The pressure at local level is much more immediate and from the bottom up, and that changes any federal commitment to balanced budgets and a primary surplus. The latter just means concentrating resources at national

level and transferring these to the bankers, to the creditors, or else increasing the level of debt and raising interest rates to attract more short-term capital.

So this is something our members of parliament fight for, it's part of the PT's programme, we can mobilize mayors from other parties around this, work with the trade unions to show the importance of municipalities having more resources at their disposal, because that's where the population can have more direct influence in changing the way those resources are used.

This area of workers' immediate interests is a huge one. Here most of the employers don't comply with the social legislation that already exists. They don't pay the wages they should. They don't respect the rights the workers have. Our government should be improving the checks and enforcement of this, putting an end to precarious contracts, to the rampant 'flexibility' to which workers are being submitted. This alone would already signify a big advance. And this would build political support. The worker or wage-earner who sees that the government is on his or her side and is fighting for her interests, defending them against employers who don't respect the laws that exist...

What I heard most frequently during the election campaign in 2002, in the factories and stores and other big workplaces in Porto Alegre, which is a state capital with a tradition of trade union struggle and of struggle for the respect of basic rights, what I heard most often, especially from women workers, was that they weren't being paid the wage established by law, which the employers didn't respect and which they couldn't demand openly for fear of being fired. And with unemployment as high as it is, workers are of course desperate not to lose the jobs they have. Sometimes the trade unions themselves don't fully realise this. Now a government of ours should have been at the workers' side in this struggle. Because it was the workers who elected Lula, it was the majority of the population who elected him.

So the defence of reasonable prices

for public services, that people can actually pay, the defence of decent wages, the reduction in the working week, all these are initiatives the government could have taken. None of this means a break with the IMF and international creditors, but it does mean deciding to attack the one thing at which Brazil breaks all the records, social inequality. And you can be sure that measures like these would give the government much more strength, much greater support and legitimacy for bigger confrontations later on. It's a different path to the same objective, if we accept as good faith that the comrades in the government today also want to reach the point where public resources are directed to the needs of the majority of the country's population.

What kind of campaign are you planning to run in the elections for Mayor in Porto Alegre? Will it be a campaign of confrontation with the current economic policies of the government?

I imagine the contest in Porto Alegre will be a much more local one. In part because some of our adversaries in Porto Alegre are already participating in the government in Brasilia, or looking to participate in it. The main centre-right party, the PMDB, will be one of, if not the main opponent we face in Porto Alegre. But they are on the point of joining the Lula government. So they can hardly mount a campaign against the federal government when they're trying to join it!

But what about your campaign?

Yes, I know. What I mean is that the contest will have a more local character. Given that, my campaign will be one of defending the 15 or 16 years experience of PT government in Porto Alegre. I want to maintain in Porto Alegre the PT of the World Social Forum. I want to maintain in Porto Alegre the PT of the participatory budget, the PT of the municipal councils, the PT that introduced quotas for women and for blacks, a PT that is the real product of 23 years of struggle.

So these policies - that the population should decide the public budget, that

the population should draw up the policies for social services, for children and adolescents - this sovereignty of the people is our greatest triumph. It's our strongest argument. We are convinced that this is the right policy. It doesn't always

guarantee victory in advance. The enemy is also strong. They have economic power, they dominate the radio and television. All the big employers' associations will be against us. The immense majority of the other parties will also be against us. All the

parties of the right and the centre will be against our government, and against my candidacy. But we trust in our strength coming from popular support, from 16 years of experience with the democratic participation of the people of Porto Alegre.

Against expulsions - Reply from the PT leadership

17 February 2004

Dear Dr Noam Chomsky and other signatories

‘Time is short and the legacy is a heavy one’

In relation to the manifesto published by the paper Socialist Resistance, according to which the PT is indicating to the international left that it has given up its tradition of democracy, pluralism and tolerance, I would like to say the following.

As you all know, to be tolerant it is necessary to know what is intolerable. And in the PT, today as always, everyone is free to express his/her opinions and the party's positions are the result of a clash of ideas. However, those who think that the PT is a debating circle or a social club are mistaken. On the contrary, it is a party that takes pride in its internal democracy as well as its unity of action.

That's why the PT has always guaranteed broad internal debate with the understanding that positions approved by the majority will automatically become the party's positions. It was like this in our beginnings, in 1985, for example, when party members decided that PT deputies were not going to take part in the electoral college that elected Tancredo Neves to the presidency.

The PT had, at the time, eight deputies, three of them ignored the party decision and were expelled.

In 1993, Luiza Erundina, former mayor of Sao Paulo and who, at the time, held the highest public post the PT had up until then elected, accepted a ministerial post in Itamar Franco's government against the wishes of the party. She was suspended from the party while in office. The PT doesn't confuse internal democracy with lack of direction. If we are today the main political force in Brazil, it is because we have the merit of combining internal democracy with the defence of democracy as a universal principle and with the understanding that there is no party without unity of action. Freedom of expression yes, but not a state of chaotic indecision.

For us, freedom is not like a sea without limits. Freedom in democratic parties like ours means sharing and accepting these limits collectively. The PT is not a country. It is part of a multi-party political system. Probably, our dissidents, who've been traditionally in favour of exemplary punishments within the party, have a dream of the barbaric idea of a single party system. The PT prefers plurality.

We consider it malicious and slanderous to try to confuse the functioning of a transparent and democratic party with the political environment under a dictatorship. It's natural that those who agree with our policies stay in the party. It is also

natural that, in a country led by the PT, everyone has the right to create their own parties. But it is not loyal to stay in the PT to combat it systematically from within, claiming to be guardians of the genuine PT virtues. In that sense, those that were expelled in 1985 acted in the right way. Instead of presenting themselves as victims, they joined other parties.

The four members of parliament currently threatened with expulsion are clearly trying to present themselves as victims, when in reality they have committed an act of aggression by breaking with the internal unity, although they have every right to express their opinions inside and outside the party, as they have been doing. They prefer to exercise short-sighted and disloyal opposition to the PT government's policies. Perhaps because they don't have any proposals to offer themselves in the present circumstances, they put their efforts into discrediting the party before public opinion, fortunately without any success.

They live intoxicated with a sense of freedom without responsibility, complaining about both the difficulties and those who are facing up to them.

It is important to clarify that the pension reform, already approved by the chamber of deputies, and at an advanced stage in the Senate, has nothing to do with pressures from the IMF. It is a demand born out of the need for social justice, and is the

result of a plan, adopted by the PT more than ten years ago, of creating a basic universal pension...

It is impossible to draw any comparison between the pension system in Brazil and those of Europe. The Brazilian system is a monster and it is difficult to imagine that anyone could be a left wing person in Brazil and seek to conserve it.

To give an idea, the general pension system in Brazil, which provides for 21,100,000 retired people and relatives of those who have worked in the private sector, received in 2002 17 billion reais as a subsidy from the state. While in the same year the public subsidy to finance pensions for 952,000 former federal employees was 23 billion reais. Official projections suggest that, without the changes proposed by the Lula government, in 20 years time this subsidy would reach 304 billion reais every year. This would certainly cause the system to collapse long before then.

Furthermore, you should remember that 57% of Brazilian workers have no pension at all. The reforms proposed by the Lula government seek precisely to include these excluded sectors.

This just shows that the PT's dissidents made a lot of noise against the solidarity amongst public employees which is needed to assure a fair and dignified pension for all. The PT respects public employees and is aware that the great majority understand the aims of our policy.

Dear friends, the PT did not promise miracles and is not delivering miracles. We are, however, very much aware that we have been able to avert an imminent collapse of the Brazilian economy, which would not have helped anyone, not even our critics. We are sure we are holding on to and putting into practice our original and profound commitments to social change and freedom, at the pace and in the direction best suited to the present circumstances.

Under the leadership of President Lula, the PT has developed step by step. It does not encourage the illusions of impatience or insist on unnecessary differences - features which lead some on the left to become obsessed with infallible predictions and a fear of seeing the majority of the population benefit from economic development. This latter is a task that part of Europe and the United States already carried out at a high social and historical cost to the rest of the world. This economic development is maintained to this day by fierce protectionism and the selfish limitation of rights that prevents our development as a country and is at the root of these misunderstandings between allies.

Yours sincerely,

Paulo Delgado,

Secretary for International Relations,
PT

Socialist Resistance response to the PT expulsions

17 February 2004, by Socialist Resistance

To: Jose Genoino Neto, President of the PT and other members of the PT National Directorate

Dear Jose Genoino Neto and other PT leaders,

It was with sadness, indignation and apprehension that we learnt you had decided to carry out your threat to expel Senator Heloisa Helena and three other PT members of parliament for their opposition to the government's pension reforms. We hope desperately that this sorry end to 2003 has not set the tone for the Brazilian Workers Party (PT) and its administration in the year ahead.

As we said in our earlier petition, Lula's election over a year ago carried

with it the sympathy and hopes, not only of the Brazilian people, but of many millions around the world who, like us, share the dreams of an immense and diverse new movement against war and neo-liberal globalisation - this movement to which the PT and the World Social Forums in Porto Alegre have given so much. It seemed to us then that our friends in the PT had, at last, an opportunity to demonstrate that there really is an alternative.

The signs in the first year of the PT's government were seldom encouraging. The priority given to paying the foreign debt, the cuts in social spending, the alarming increases in unemployment and child labour, the legalisation of GM soya,

the ambiguous attitude to a Free Trade Area of the Americas, the timidity over human rights abuses in the past, and the inaction over the treatment of Brazil's indigenous peoples in the present - all these tended to overshadow the few positive moments, like the part played by Brazil at the WTO summit in Cancun. The concern felt by many thousands taking part in the European Social Forum in Paris in November was palpable. No doubt this will be repeated at the World Social Forum in Mumbai later this month, whether or not Lula attends. It is increasingly clear that the movement faces a stark choice - either to seek a genuine break with the logic of neoliberal policies, or to seek accommodation with the promoters of these policies. And it

seems distressingly clear that the PT government has come down on the wrong side of this choice.

In his reply to our petition, the PT's International Relations Secretary, Paulo Delgado, tells us the PT never promised to perform miracles. Indeed we expected none. We understand the situation facing the PT government, at home and abroad, is complicated. What we did expect, what we believe we had a right to expect, together with everyone else inside and outside Brazil who has followed and supported the PT for years, was a minimum degree of coherence with the ideas and principles that the PT has proclaimed throughout its history, and that we have been proud to share with you.

It is for this reason that the expulsion of the four members of congress seems, symbolically, even more grave than all the shifts and turns on policy. All of these reverses might, with generosity, be put down to force of circumstance. But such a deliberate act of violence, as the great Brazilian liberation theologian Leonardo Boff describes it, can only be understood as an attempt to root out the principles of the past, and to penalise those who obstinately insist on acting in accordance with them.

As we said before, we do not believe it is our business to involve ourselves in the detail of the Brazilian government's policies, much less in the internal debates of the PT. However, since Paulo Delgado has taken the trouble to write to us, we feel several of his points should not go unanswered. He says that:

1. The government's pension reform has nothing to do with pressure from the IMF.
- ii) He argues, instead, that it is part of the PT's long-standing commitment to a fairer social security system.
2. The central charge against Heloisa Helena and the others, then, is that by opposing these

reforms they were making a disloyal attack on party unity.

We have questions for Paulo Delgado on all these points.

1. On the first, is it not a matter of public record, published on the Brazilian Finance Ministry's web site, that pension reform was one of four key conditions agreed by the new government in its interim letter of intent to the IMF back on 28th February 2003? Have the others - a new bankruptcy law to protect foreign creditors, tax reform and the privatization of remaining publicly-owned regional banks - not also been legislative priorities for the government in its first year? Is it not true that one day after the pension reforms were finally agreed in the Senate (and two days before Heloisa and the others were expelled), the IMF approved its new \$ 14 billion package for Brazil, followed 24 hours later by another \$ 7.5 billion from the World Bank? And is it not true that the following week President Bush called Lula to congratulate him on his government's performance - including its success in pushing through the pension reforms? Does Paulo Delgado believe these events are entirely disconnected?
2. On the second point,

Paulo Delgado does not mention that very similar pension reforms were vigorously opposed and effectively prevented by the PT when they were put forward by the previous government of Fernando Henrique Cardoso. Does he remember Heloisa Helena leading the fight against those same pension reform proposals when she was leader of the PT in the Senate, using the very same arguments she has used this time around? Was she attacking party unity then, or was she defending the policies of the PT as laid down on numerous occasions and reproduced in the election manifesto for 2002? Heloisa and many others in the PT have argued that the leadership changed the PT's policy on pension reform, and many other issues, without any full or democratic debate amongst the party members. If that is true, who exactly is being disloyal to whom?

3. Paulo Delgado says there is no comparison between the Brazilian pension system and those of Europe. No doubt there are differences. As we understand it just about everyone on the left in Brazil agreed that some reform of the system's excessive privileges was required. But Paulo Delgado must

know that this is of little interest to the IMF and the international markets. Surely he is aware that what they want from the pension reforms they have encouraged in Europe, in Brazil and in dozens of other countries across Latin America and the south is fundamentally the same - a sharp reduction in government spending (often to fund debt repayments) and an opportunity for private financial institutions to move into the pension market?

4. Paulo Delgado goes on to suggest that the four 'dissidents' are, or have been, advocates of an undemocratic, single-party system. This is unworthy of him. In this broad and plural new movement we are all a

part of, there is no place for easy ideological labels or the historical blame game. We all know that many of us on the left, inside and outside Brazil, including many of you who voted in favour of the expulsions, have in the past given energetic support to such undemocratic systems. As it happens, that doesn't seem ever to have been true of the four you have expelled. Indeed we understand that Heloisa Helena and her supporters have fought longer and harder than anyone else to develop and defend the democratic and pluralist party life that made the PT such a beacon to so many of us around the world. They have also been champions of the

participatory budgets - another of the PT's most precious contributions to the vision of another, radically democratic world, and another pillar of the PT's programme that the Lula government seems to have done almost nothing to implement.

We understand that Heloisa Helena and her supporters have asked for a Conference of the PT to examine the expulsions and declared they will continue to regard her as a member of the PT. In our own modest way, we are happy to follow their example. We look forward to joining with Heloisa and the others, whether at the World Social Forum in Mumbai or at other international gatherings of this wonderful new movement for another possible world - where we shall continue to treat her, and the others if they so wish, as true representatives of the PT tradition that has made such an important contribution to us all.

Yours sincerely,

Socialist Resistance

Workers' struggle erupts again

17 February 2004, by **Youngsu Won**



This symbolic martyrdom gave birth to the first generation of the democratic union movement in the 1970s. Later, after the hot summer of 1987, the second generation of the democratic union movement came into being, which represented the full rebirth of the working class movement as such.

This year, workers witnessed a series of suicides and self-immolation of union leaders and activists. One union

leader cried, "The testimony is the same as Jon Tae-il's of thirty years ago! This is where we are." The Korean working class is still living in the same era as when Jeon Tae-il sacrificed himself, despite president Roh's deceptive demagoguery that in a "democratized" society suicides cannot be a means to achieve the demands.

His speech enraged the huge numbers of workers, so that tens of thousands rallied in Seoul. In the course of the march that followed the rally there was a major physical confrontation

with the police. Hundreds of protesters were arrested by the riot police in the course of this street battle, and more than 50 workers were imprisoned.



Korea was liberated from Japanese imperial rule in 1945 after its defeat in the Second World War, but the nation divided according to the agreement made between the US and USSR in Yalta earlier that year. Thus, in the

course of a de facto civil war that led to the Korean War in 1950-53, the fiercest class struggle resulted in two different courses of national development - the path towards a distorted "socialism" in the north, and the neo-colonial path of dependent capitalism in the south.

The Korean peninsular and workers' movement

In this historical context, in the southern part of the peninsula, extreme right-wing regimes dominated for more than forty years, eliminating all embryonic resistance fighting for democracy and social transformation in the face of moribund capitalist, military regimes. It is within this socio-political context that the workers movement developed in its full-fledged form in the 1980s.

Even the harshest repression by the anti-Communist regimes could not stop popular resistances - there was the April Revolution in 1960, the Kwangju Uprising in 1980, and the June Uprising and Workers' Rebellion in 1987.

In spite of systematic anti-Communist hysteria, a variety of mass movements developed, such as the student movement, the democratic union movement, the peasant movement, and the movement of the urban poor. Finally with the radicalization after the Kwangju massacre in 1980, the revolutionary movement came into being.

In the 1970s and 1980s, the students led the struggles against the dictatorship struggles, but in the 1990s, aftermath of the 1987 rebellions, workers took their turn, playing the leading role of mass movements.

In the summer of 1987, after the nationwide mobilization of the June uprising, against the military regime's attempt to maintain its grip on power, workers rose up all over the country. The newly formed working class was forced to accept military-style rule

over the workplace by the capitalists, who imposed extremely low wages, poor and terrible working conditions, inhumane and unfair treatment by the management and brutal suppression on any move to protest. Furthermore, the secret police and security agencies made every effort to spy on any moves to protest or resist, and the conservative parties and media were only the vehicles of the state and capital. The massive workers' rebellion burst out against these conditions. Their demands were modest - humane treatment, decent wages, better working conditions, and the right to build workers' unions.

Over that summer, spontaneous waves of over 3,000 strikes were organized, and more than 1,000 trade unions were formed. Pro-business union bureaucrats were the targets of working class anger. Workers wanted independent and democratic unions. And they pursued broader unity and solidarity beyond the factory walls, which symbolized the company union system devised to prevent workers' unity and to put workers under the control of management. The former student activists and new worker militants organized new coalitions on regional and occupational bases. Also, the white-collar workers who had taken part in the June uprising as individual citizens joined the trade union movement, turning union-free offices into the site of labour conflicts.

Thus, in the early 1990s, unionizing drives swept over all industries, highlighted by labor militancy. In this course of working class struggle, in the large plants, most of the privileged labour aristocrats were replaced by new militant labour leaders and the democratic unions became dominant in the existing FKTU framework.

KCTU - the new stage of Labour movement

In the first half of the 1990s, the democratic union movement was composed of three currents:

1. a militant union federation of medium and

small-sized factory workers, the Korean Council of Trade Unions (KCTU1);

2. a coalition of large unions of chaebol companies, [28] which was close to the KCTU, but maintained a separate identity; and
3. the federation of white collar workers' unions. However, all these unions were still within the organizational framework of the moribund FKTU.

Finally, in 1995, these currents of democratic unionism united, forming the Korean Confederation of Trade Unions (KCTU2) as an umbrella organization. The process of building the KCTU was, on the one hand, that of forging working class unity, and, on the other, that of internal compromise, reflecting the internal differentiation of democratic unionism's orientation. In the face of the continuous attacks on union movement by the state apparatus and capitalists, some elements within the democratic unions began to prefer partnership with the state and capital.

Thus, the first leadership of the KCTU represented the right-wing shift of democratic unionism, causing harsh criticism from below and by leftist currents. Prioritizing bargaining over the struggle, alliance with NGOs over popular movement, and a social democratic orientation - these are basic characteristics of these right wing currents within the democratic labour movement. However, this current is a very odd mixture of pro-North nationalism and reformist formation. Also, there emerged another current, mostly ex-militants and top union officials, favouring industrial unionism over political unionism, and prioritizing the institutionalized bargaining structure and practice. And finally, the militants were united into the left-wing current of the KCTU, mostly rank and file activists and leftist union leaders.

In this internal constellation, the

General Strike from December 1996 to January 1997 was a serious test for the democratic union movement. Prepared for the coming attack by the neoliberal government, the KCTU could mobilize the whole capacity of the democratic labour movement, forcing the government to retreat and revise the labour law. However, at the final moment, the right-wing leadership retreated to occasional strikes, attracting harsh criticism from the strikers and rank and file workers.

And at the end of 1997, under the enormous pressure of economic crisis, the right-wing leadership opted for compromise with the government, accepting management's right to dismiss workers. This was a betrayal of the gains won by the workers' struggle for the past decade. Thus, there arose a harsh debate on the orientation and perspective of trade unions, and the resolute militancy of rank and file workers drove the irresponsible leadership out of office. Under this militant leadership, the KCTU fought back the neo-liberal attack by the state and capital.

DLP - a path forward, or a trap for working class politics

In the 1997 presidential election, Kwon Young-gil, a former KCTU top leader, ran for the presidency, winning a small number of votes. After the election, Kwon and his colleagues formed a new party called the Democratic Labour Party (DLP), with the official support of the KCTU. Kwon was a journalist, and leader of the federation of journalists and press workers' union, representing the right-wing reformist, social democratic tendency, with a perspective of legalism and electoralism. Thus, in spite of the strong support by KCTU top officials, its working class base is rather narrow, reflecting both the low level of working class consciousness and the political distrust of the bureaucracy from rank and file workers.

At the first stage of its launch, the DLP lacked wide support in spite of the top-down pressure of KCTU right-wingers. However, in September 2001, the nationalist wing of the movement decided to join the DLP en masse, in an attempt to take hold of the party leadership. This nationalist tendency, as majority of the movement, had refused to build an independent political party, because of its pro-North position, claiming that, as the leadership of the movement belongs to North Korea, the South Korean movement should build a united front, not a party. As this move went on, the DLP showed some growth in membership, but it was exposed to incessant internal factional fighting. Though there are some leftist currents inside the DLP, their influence is negligible. In municipal elections in 2002, the party won about 8 percent, but at the presidential election, the candidate Kwon won less than a million votes, less than 3 percent, out of 28 million votes.

Amongst the diverse left currents, the DLP seems to monopolize the KCTU's support. But despite KCTU-DLP links, the DLP failed to take control of the KCTU, not to say of the whole movement. The reason is its overemphasis on electoralism, opportunism in mass struggle, poor practice of internal democracy, and growing bureaucratization, reformist and social-democratic orientation, in short, premature bourgeoisification and institutionalization. Pending the general election next year, all kinds of ambitious opportunists flock to run a candidacy.

The DLP imitated some ideal type of the Brazilian PT, the British Labour Party, and the German or Swedish Social Democratic Party, in a totally different situation that lacks any material condition for social democracy. Thus, the DLP is following the bankrupt path of social-liberalism still under the banner of social democracy. In this way, electoralism and sensationalism will ceaselessly distort working class politics.

New government

and working class struggle

Last December, Roh Moo-hyun won the presidential election. His supporters hailed it as an electoral revolution. As he was one of the weakest performers in the party primary and during the campaign, his mistakes drove his ratings down, and his party was divided with growing support for the third bourgeois candidate, Jung Mong-joon. However, he had fought a strong rival, Lee Hoi-chang, the former candidate and supreme court judge, and won the election, which signified the continuation of Kim Dae-jung's government and the victory of liberalism over conservatism. That could have been interpreted as a favourable situation for democracy and social progress.

But the regime's fundamental weakness was its poor organizational base. President Roh enjoyed personal popularity, especially among his ardent youthful supporters. But as president, he was surrounded by reform-minded but inexperienced advisors, and his team and himself were constantly attacked by the conservative media and the opposition party, even by his own party.

In contrast to his seemingly progressive attitude, his basic orientation was toward neoliberal reform, and he felt he had to complete the tasks assigned by the former government and the pressure from businesses and international capital. In this context, he consolidated his pro-US and anti-labour position.



Last April, he visited the US, and contrary to concern about his anti-Americanism, he pleased George Bush greatly, making friends with the worst warmonger and thereby surprising both his supporters and antagonists. He supported all the measures of the US and became another Blair, Bush's poodle in East Asia. And this fall, when the Bush regime was under grave political danger with the US

occupation in Iraq, he gave his hand to Bush by deciding to send Korean combatants to Iraq, without any consultation with popular opinion. Thus, his abrupt decision to follow Bush's footsteps brought about massive opposition to the Roh government and US imperialism.

As for his labour policy, the same story goes. At first, he expressed his sympathy for workers. And some union leaders joined his government on a personal basis with high expectation for his progressive position toward labour. However, as he was faced with growing pressure from capital, he started to change his position.

November offensive - workers' struggle erupts

Since the economic crisis and subsequent attacks on workers' livelihood and union rights, workers were exposed to a helpless situation with no other options but the struggle for survival. More than 60% of the workforce is exposed to part time jobs, casual labour, and contingent work, and even regular workers are exposed to job insecurity, labour flexibility, threats of plan relocation, continuous harassment and violations of labour laws and regulation by management.

Especially in the plants where strong unions defend workers' rights, the offensive of the management is so severe as to make use of all means available, legal and illegal, under the indifference and inaction of the labour ministry. And recently, more and more capitalists resort to legal means for provisional seizure of workers' salary and union properties, and legal suits for individual compensation by union activists and leaders, thereby destroying the lives of their families as well.

A series of suicides happened in this context. It is the situation that basic subsistence is not guaranteed for militant workers and union activists. On October 17, Kim Ju-ik, leader of a

union local, hanged himself from a high-rise crane, above 35 meters from the ground, where he had kept on sit-in struggle for 129 days. The Hanjin Heavy Industry, a Chaebol subsidiary, refused a meagre pay rise, maintaining a brutal offensive of union busting.

Another union local leader, Lee Hae-nam, burned himself in protest at incessant management harassment of workers and their union. The auto part company, Sewon Tech Inc., made use of all possible means to destroy the union, even by hiring goons and thugs. Lots of workers were wounded by the indiscriminate violence of the hired thugs. On October 26, Lee Yong-seok, union leader of casual workers in Labour Welfare Corporation, burned himself at a labour rally in Seoul, just before the pending strike.

As the act of suicide itself is a very personal determination, it is out of control, though all the activists are against it. One police chief, who was in charge of the KCTU office, expressed his own theory of conspiracy, saying that the series of suicides were "a planned project". And naturally, he was faced with harsh criticisms from all sides, and dismissed from his position. But the president was not dismissed, though he said that in a democratized society suicide cannot be a means to resolve conflict. This shows that the former labour advocate totally fails to see the harsh reality that millions of workers are faced with.

In protest at the anti-labour stance of the government and rampant bourgeoisie, workers organized the 4-hour strike on November 6, and National Workers' Rally on November 9, and the general strike on November 12, which was joined by more than 150,000 workers around the country. However, the government maintained its anti-labour position, arresting more than 50 workers for violence and summoning the KCTU top leaders. Furthermore, the government is attempting to revise the law on rallies and demonstrations, in order to block democratic rights. But there is no doubt that this kind of measure cannot stop the workers' struggle.

Migrant workers struggle for workers' rights

At the same time, thousands of migrant workers started sit-in hunger strikes against the government measure to deport undocumented migrant workers, under the new regulations. Migrant workers are employed at the 3D jobs, that is, dirty, dangerous, and demeaning jobs that Korean workers refuse because of low pay and poor working conditions. In these terrible conditions, migrant workers, male and female, were easy victims of capitalist exploitation, and racist discrimination.

After long years of inhumane treatment, physical violence and harassment, the migrant workers began to unite against Korean capitalists and the government, also against the charity groups and religious groups who regard them simply as victims and dissuade them from struggle. The migrant militants, however, learned from the living experiences of the Korean labour movement and finally succeeded in building their own independent union, MB-ETU (Migrant Branch, Equality Trade Union, which is a general union affiliated to the KCTU) - a new stage of the migrant workers' movement in Korea.

At the moment, this migrant workers' union is the leading force in the struggle against discrimination against and super-exploitation of migrant workers. As a couple of migrants, in despair, committed suicide faced with deportation, the present struggle targets the deportation policy of the Korean government, and the deceptive Employment Permit System, another version of slavery. All over the country, at several spots, hundreds of migrant workers are maintaining sit-in struggles in spite of the cold weather.

Farmers' struggle

against globalization

On November 12, 2003 more than 100,000 farmers got together to protest against the government mis-policies that destroyed the basic substance of farmers' livelihood. In particular, the market opening and trade liberalization, under the pressure of imperialist globalization, already threatened the livelihoods of farmers.

Most farm households are under the burden of huge debts, only to fail to find a way for mere survival. In this context, the peasants and their organizations are the leading force in the struggle against the neoliberal globalization. In Cancun, Mexico, Lee Kyung-hae took his life in protest at the WTO, shouting "WTO kills farmers!" Though many disagree with his method of suicide, they understand him from the bottom of the hearts.

An impoverished countryside, aging population, even harsher competition, a series of natural disasters, mis-policies of governments, and the rampant drive of globalization - all these pushed the peasants into an unwanted choice between desperate struggle and mere slavish disappearance.

On November 12 at the National Farmers' Rally, 100,000 farmers from all over the country took to the downtown streets of Seoul, paralyzing the traffic against the brutalities of the riot police. Some of them organized sit-ins in protest at the arrests at the central subway stations. And they plan to organize another mobilization.

Anti-nuclear riot in Bu-an

Another hot spot is a localized struggle against nuclear waste facilities. The government publicized its plan to build a nuclear waste processing facility at an island called Wi-do, near Bu-an, a west-coast county with a small population of 70,000.

The struggle began about 5 months ago, when the government, after

failing to locate the site, decided to build a facility at Wi-do. To implement this plan, it manoeuvred among the local people, spreading its intention to bribe the inhabitants, while ignoring the strong opposition of the local population and attributing the opposition to the ignorance and disbelief of local people.

A series of false promises and manoeuvres enraged people so much so that they began to organize protests everyday, starting candlelight vigils every evening, following the example of protest against the US GIs whose armoured vehicle trampled two school girls last year. Thus, this anti-nuclear struggle became a symbol of popular rebellion. Furthermore, the Roh government insisted on enforcing the mis-development of the Saemangum sea wall that will destroy the huge natural sea-field, in spite of nationwide protests.

By and by, the local inhabitants lost any iota of trust in the government, and they occupied the downtown, organizing numerous street battles against the deployed riot police. And the situation was worsened by repeated police brutalities. Finally, after the huge crash on November 13th, more than 14,000 riot police occupied the county of Bu-an, like the US army in Iraq.

Thus, so far, score of protesters, mostly old people, were arrested, and hundreds were wounded by police violence. Civil society and human rights groups, social and popular movements repeatedly recommended a local referendum to resolve the issue, but the government rejected the proposal, attributing the cause of the present situation to the violence of local inhabitants.

Anti-war movement and anti-globalization movement

The anti-globalization movement in Korea was initiated by the KoPA, Korean People's Action against WTO and FTAs, which was built by

unionists, peasants, and other left and social movement groups, as a coalition against neoliberal globalization. Since its formation in 1998, it took part in most important international mobilizations, from Seattle to Cancun, as well as the WSF's in Porto Alegre, Brazil.

Especially after the economic crisis, the struggle against globalization became an important part of mass movements, especially the peasant movement which played the leading role in mobilizing and struggling. And with the efforts of KoPA, the trade unions show more and more commitment to the anti-globalization movement.

On the other hand, the anti-war movement was rather a new phenomenon, despite strong opposition against the war based on the people's experience of war in 1950-53. That is, as a movement, the mobilization on February 15 was a fresh experience for the Korean left and popular movements. However, as the Korean government decided to send the army to Iraq, the anti-war struggle erupted and became a national political struggle.

And on September 28 and October 25 mobilizations were organized in conjunction with the international anti-war movements. The government's decision to send combat troops to Iraq, under pressure from the Bush administration in political crisis, gave another impetus to the new anti-war movement in Korea.

In general, as was the case with the November labour offensive, the priority of the immediate struggles is usually given to the national issues, but the slow process of politicizing from the international perspective is on the agenda. Thus, the dialectical combinational of national and international struggle will be more important tasks for the labour movement and radical left.

Working class politics in South

Korea

With the launch of the KCTU, the labour movement set itself two strategic goals - to build a workers' party and to turn enterprise unions into industrial unions. That is, these tasks were to organize a political wing of the working class movement, and to build a more efficient organization to extend class unity. So, at the moment, the building of industrial unions is underway, rather at the final stage, and they have a political party called the DLP.

However, this process underwent a grave distortion. In the first instance, the drive for industrial unionism was pushed mainly by union bureaucrats, who are politically centrists in the KCTU. Basically there exists a tension between the union leadership and the rank and file workers, and it's a sort of power struggle. The real struggle is between the federation level leadership and the local or plant level union leadership, as some big unions, mainly big unions in automakers and shipbuilders, have strong power, capacity for mobilization, and larger financial resources. On the other hand, the federation or confederation level leadership, tainted with growing bureaucratism, favoured a centralized structure. But the rank and file level activists were against this bureaucratic procedure, claiming that this version of industrial unionism distorts the class implications of industrial unionism. Thus, in this sense, the opposition between the bureaucrats and rank and file activists produced internal dispute and debates, while at the same time it keeps the dynamics of working class struggle.

And though the DLP succeeded in securing the official support of the KCTU, its support base is rather weak, considering the bigger size of the KCTU unions. At the moment, it claims 40,000 party members, but the class base is rather weak. In the KCTU unions, DLP membership was imposed from above, while the nationalist wing of popular movements decided to join the DLP en masse, after an abrupt turn. In the past, traditionally, these

pro-North Korea forces were against independent working class politics, on the ground that "we" have leadership in the North and, therefore, no need for a political party, and instead, we have to strive for building a united front.

However, with the growth of the DLP, they decided to take control of it by massive entry into it, in order to avoid isolation. Thus, the internal relationship inside the DLP has changed, increasing the possibility of further distortion of its social-democratic orientation into nationalistic-reformist mixtures.

Outside of the DLP, there exist a certain number of radical lefts, of which the Power of the Working Class and the Socialist Party are important, and also there are some leftist tendencies inside the DLP that have differences over orientation. The Socialist Party is now undergoing a crisis of identity as a result of a series of failures at elections. It hoped to make use of the right-wing shift of the DLP.

The PWC's standpoint is to be independent from electoralism and a social democratic orientation, and to pursue class struggle trade unionism. Critical of dogmatism and sectarianism, it also favours left unity, or regroupment, as the first step to building a genuine working class party.

The PWC also plays an important role in working class struggles at a local, national, and international level. Furthermore it has also done important work in the anti-globalization movement and the anti-war movement, despite the difficulty that most of its members are based in the workplace and unions. In spite of rather moderate size, it has an extensive network of activists and a clear political position, playing a leading role as a left opposition within the framework of the labour movement.

Epilogue: waiting for the next class battle



The Korean working class developed its class consciousness and its movement through harsh repression by the capitalists and the bourgeois state, both military and civilian, especially against neoliberal globalization offensives. In spite of serious distortion of political and industrial orientation, it is leading the struggle of the popular masses.

In contrast to the development of the labour movement, the radical left forces are still in disarray, recovering bit by bit for the construction of a political alternative. However, the working class struggle against the neoliberal offensive, the workplace dynamics against bureaucratic distortion, and the growing anti-capitalist orientation and internationalist perspective among the social and popular movements - these are the political assets for left regroupment and the development of a new type of anti-capitalist movement and working class movement for emancipation.

This perspective and its consolidation is linked with the global development of working class struggles - the piqueteros and plant occupation movements in Argentina and the uprising in December 2001, workers' strike waves in Italy, Spain, Greece and the UK in 2002, the Bolivian uprising in February and September-October 2003, the French pension strike in May-June 2003, the international anti-war movement on February 15, 2003 and the series of anti-globalization mobilizations from Seattle, Prague, Genoa, Barcelona, to Cancun and Miami.

This dynamic dialectic of national and international struggles directs a new path forward for the revolutionary movements in the 21st century, as well as a new perspective for "the new politics" of international working class movements. The struggles of Korean workers and the development of other mass movements in Korea are part of these new waves of global struggles and movements.

Four years under Musharaf

17 February 2004, by **Farooq Tariq**



General Musharaf is a military dictator who, luckily for him, realized the world situation had changed profoundly after September 11 2001. As a result he changed his policies overnight in order to become a partner of American imperialism in the "fight against terrorism". At least in words, he junked life long support for religious fundamentalists. He abandoned these former allies to some extent without shame or apologies.

In return, world imperialism rewarded him by accepting his dictatorial rule without question. Existing loans were rescheduled and some new ones granted.

Musharaf became the darling of western rulers and a family friend of President Bush. He became the award-winning president of Pakistan who was invited by President Bush in June 2003 to Camp David, as the Pakistani government controlled media boasted.

General Musharaf also achieved this position by his hard work to please the international imperialist institutions like the International Monetary Fund (IMF), World Bank and World Trade Organization (WTO). He acted blindly on the advice of these institutions to implement their demands to restructure the public sector, carry through privatization, lower trade tariffs and take other deregulatory measures.

"This is the painful recipe that we must adopt if we are to overcome the economic recession and to begin to put our sick economy on the road to recovery" he boasted when he took power in October 1999 in a bloodless coup.

He had been able to overthrow an unpopular and rich Prime Minister

Nawaz Sharif. Sharif was not able to complete his full five-year term even though he had a two-thirds majority in parliament, which had been elected in 1997.

Sharif had tried his best to implement the policies of the IMF, World Bank and WTO but was unable to do so because of massive resistance by the workers and small traders. General Musharaf took power precisely to implement the unfinished agenda of Nawaz Sharif.

Political front

The result of the subsequent implementation of these policies dictated by imperialism is a disaster for the working class of Pakistan. A recent report from the State Bank of Pakistan indicates an increase of at least 15% in poverty within the last three years - despite all the media hype of a great recovery of the Pakistan economy under Musharaf. The government claims that there is a record US\$11 billion of foreign reserves due to the policies of the regime.

The masses have lost all confidence in the main capitalist political parties. Now there is no difference in policies between the two mainstream parties, Benazir Bhutto's Pakistani Peoples' Party (PPP) and the Pakistan Muslim League of Nawaz Sharif. At one time they put forward quite different policies. The PPP was a populist radical party, which at one time was able to attract many working class people.

Under Benazir Bhutto, the PPP has become a right wing conservative party closely linked at different times with the army generals and American imperialism. Benazir Bhutto was elected twice as Prime Minister (in 1988 and 1994) but was unable to deliver any reform agenda.

She is currently in exile after a court in Pakistan found her guilty of corruption. Since 1998, she has been living in Dubai and running her party via emails. Her husband has been in a Pakistani jail for the last seven years on charges of corruption, nepotism, murder and attempted murder.

The PPP emerged as the largest parliamentary party during the October 2002 General Elections with around 22 per cent of the votes. The PPP is at present part of an alliance called the Alliance for Restoration of Democracy (ARD) along with some of the other main bourgeois parties. The ARD has been unable to launch any mass agitation against the present regime despite its loud claims that it was doing this.

Religious fundamentalism



The distrust of the mass of people of the main political parties has led many people to take political refuge under an umbrella of religious parties. These parties have formed a united alliance called Mutihida Majlis Ammal (United Organization for Action). The MMA won over 15% of the votes in the October general elections. They have taken control of the provincial government in North West Frontier Province (NWFP), which is next to Afghanistan, and they are also part of the provincial government in Baluchistan.

The formation of this provincial government by the religious fundamentalists has given a major boost to the Taliban Mujahidin in Afghanistan. The US government wants Musharaf to carry out a crack down on this provincial government.

The central government have led many raids on so-called Al Qaida hideouts in this province to please American imperialism and convince them that the Musharaf regime is serious about opposing religious fundamentalism.

The ongoing growth of religious fundamentalism in Pakistan is a serious threat to progressive forces in the country. There are several different trends within religious fundamentalist groups. But overall they are all united in their extreme right wing, semi fascist approaches to politics. They promote conservative "family values" that mean women are treated as having half the value of men - for example in legal cases two women's evidence is worth the same as one man.

Their anti imperialist sloganeering does not mean that they deserve to be seen as a real anti-imperialist force. They are semi-fascist forces who at this juncture of history oppose imperialism. The Labour Party Pakistan (LPP) is opposing both imperialism and the fundamentalists and advocates a broader front of all the progressive and Left organizations to provide a genuine alternative.

We are in favour of the state banning the Jihadi organizations that are advocating killings in the name of Islam. But we are totally opposed to any ban on religious organizations by the state. We want all the religious trends to have a full freedom to advocate their ideas in a democratic and peaceful manner. But we oppose those religious fanatics who are in favour of killing people from opposing religious sects and other individuals.

Religious fundamentalism has grown tremendously particularly after the collapse of Stalinism. To some extent it has provided a feeling of security for many ordinary Muslims. Some of the religious parties have built their infrastructures on a mass basis through running religious educational institutions, Mosques and charity organizations. During the eighties they had assistance from American imperialism. They also had tremendous help from the reactionary rulers of Saudi Arabia. They were just waiting for the right moment to really

be able to develop a mass base. Now that time has come and they enjoy massive support among the mass of people - more when they stood in the General Elections in October 2002.

The religious parties grew with the help of the army and the state. You can say that religious fundamentalist forces in Pakistan grew mainly because of the significant economic and social help they received from different groups within the state. But that is only a part of the story.

They have also grown because of the tremendous disappointment that the main political parties caused by their failure to offer any social help to the masses during their period in office between 1988 and 1999. The religious parties have now offered an alternative to these capitalist feudal political parties.

But can these forces come to power in Pakistan? Would it be like Afghanistan or like Iran? It is difficult to imagine that the religious parties could come to power through elections. The bourgeoisie and American imperialist forces would not allow that to happen.

The religious parties can become junior partners in power but not the sole representatives of the people of Pakistan. The religious fundamentalist provincial government in NWFP is already under threat from the Centre and is not being tolerated.

The ongoing popularity of these religious fundamentalist groups has also increased the expectations of the mass of people that there will be some solution to their economic problems. Yet in NWFP, the MMA government has failed to address the questions of poverty and unemployment. They have tried to compromise with the Centre to be able to continue their government, although a bill is being introduced in the assembly to bring in Sharia law that will give maximum powers to the fundamentalist groups to monitor the Islamic functioning of the state and public institutions. But generally they have carried out policies dictated by the Centre. The result is that there is not a very favourable balance sheet of their carrying through the policies that led people to vote for them and many

questions about their credibility have arisen.

But despite this experience, the religious parties are making headway in the most populated province of Punjab. They also control the largest city in Pakistan - Karachi. The Mayor elected in this city in 2001 is a member of Jamaat-I-Islami.

At the time when the armed forces are trying to find the remnants of the Taliban in Waziristan and other parts of the tribal belts, they seem to have forgotten that these Taliban also exist in cities like Karachi. It is not even in the slums of this city where these forces have been regrouping but in fact in the seat of learning, the University of Karachi. They demonstrated their power on November 5, 2003, in the Student Teaching Centre. Between eight to ten activists of Islami Jamiat-e-Talaba, the student wing of Jamat-I-Islami, the main religious fundamentalist party in Pakistan, attacked the hall, smashing the things which were on display. The attackers alleged that the exhibition was promoting obscenity and vulgarity, said a frightened student, on condition that they remained anonymous. "I do not know what is their idea of obscenity. You can see that we had clothes in the textile display, computers and posters of graphics and products of industrial designs", said a female student in her final year. She said that they did not even bother to look at the materials on display but they stormed the place and smashed anything that was in their range.

Incidents like this are very common where the religious fundamentalists have taken control of the educational institutions. The semi- fascist thugs are found in every major cities in growing numbers.

There are over 24,000 religious institutions called Madrassas in Pakistan. Over a million students are registered in these schools. The Musharaf regime fully supports these religious schools, claiming that not all religious schools promote Jihad.

Education in Pakistan is becoming more and more business orientated. Many public schools have become

privatized. There are more primary school students in private institutions than in public primary schools. This is the natural result of the ever-reducing government spending on education. Less than 2% of the national income is spent on education in Pakistan.

But the military regime cannot keep the same old relationship with the religious fundamentalists as before September 2001. A bitter taste is gradually creeping into the relationship. The MMA, the major alliance of these religious fundamentalist parties, is threatening to launch a nationwide campaign on the question of democracy. The MMA along with the ARD is demanding that the Legal Framework Order (LFO) announced by General Musharaf be voted on by the parliament. This provision allows General Musharaf to legalize his three years of military government through a presidential ordinance and makes several amendments to the constitution.

Relationship with India

Pakistan and India have fought three wars during the last 56 years of so-called independence from the British imperialism. At present a peace fever has broken out between the Musharaf regime and Vajpayee's National Democratic Alliance government under the leadership of his Bhartiya Janata Party government in India.

This is despite the fact that the sour relationship between India and Pakistan was at its peak during the last three years. No road, train or air link was allowed by the two governments until three months ago. Now all the routes are going to be open within the next three months. This is mainly due to the pressure of US imperialism to open the borders, though mass pressure has also played a part.

At present American imperialism does not favour a war between India and Pakistan. It wants Musharaf's regime to take on the religious fundamentalists rather than a war against India. That is why the Musharaf regime is now bringing most

of its army from the front line with India to the front line with Afghanistan. It has carried out military operations in the tribal areas between Afghanistan and Pakistan that were unthinkable in the past. The priorities of American imperialism in this region at this juncture of history is to put all efforts to stop Osama Bin Laden and his allies from taking over Afghanistan. But since the Pakistani religious fundamentalists have taken over the province next to Afghanistan, guerrilla activity has been on the increase. There is an increase in activities by the Taliban Jihadis against NATO forces in Afghanistan.

There is a tremendous desire amongst the mass of people for a peaceful atmosphere between the two countries. In India, animosity to Pakistan does not win votes for the Hindu fundamentalist BJP government as was manifested in the elections for four states in India on December 1, 2003. The BJP swept the board in these elections defeating the Congress Party, mainly because it was seen as a party that can bring some type of peace with Pakistan. This was unlike the situation in 2002, when the BJP took over Gujarat State while taking just the opposite political approach towards Pakistan.

This change is the result of people to people contact by many radical NGOs, political parties and trade unions on both sides of the border. The World Social Forum in India in February is being seen with a lot of enthusiasm in Pakistan and it is possible that over 5,000 Pakistani activists will attend. Over 100 activists of LPP have already registered to go to India. A Pakistan Social Forum is being organized with the help of LPP involving trade unions, radical NGOs and progressive political parties.

Both India and Pakistan have per capita incomes of less than \$400. The majority of government spending in both countries is on defence, with a huge social cost on both sides of the border. Infrastructure remains absolutely weak and there is instability at economic, political and social levels.

The political situation in Pakistan itself is quite volatile. The present set-

up of a mixture of military and civil politicians is not very stable. The government is weak and has still not been able to legitimate itself in the eyes of the masses. It is still considered, and rightly so, a puppet government of the military with Musharaf as president. The Prime Minister, Jamali, who hails from Baluchistan, is heading a break away group of the conservative Muslim League. The ML has a long history to work together with the establishment to retain and remain in power.

The present government will find it very difficult to complete a full five-year term. Almost a year after the elections, it has faced crisis after crisis. One of the best comments on the present government has come from its Minister of Information Sheikh Rashid. He told a reporter that the best success of this government is that it is still in power after a year. The civilian set up under a general has tried its best to avoid any confrontation with the military by obeying all its orders without any question. But this situation cannot last for very long.

It is possible that the present so-called civilian government will be overthrown by General Musharaf if he feels at unease with the setup. He wants to have absolute powers like a dictator; but with a civilian Prime Minister he has to share some authority. General Musharaf can become even more dictatorial by declaring an emergency or even a martial law. A new period of military rule is not at all excluded. And with or without Musharaf himself, the military will be at the centre of power for some time - until a real mass movement erupts which can challenge this.

The Left

Left forces are very weak in Pakistan. The LPP is trying to reunite the forces of the left and a process of regroupment and reassessment of the situation is going on. The LPP is still a very small party but its ongoing activities for peasants' and workers' rights has won a lot of support and national recognition.

The LPP has led a peasant struggle on

a military farm in Punjab to demand the right of the peasants to own the land currently occupied by the military. Seven peasants have lost their lives, hundreds have been arrested including the main leadership of LPP but it has not compromised or

reconciled with the Army. The struggle is still going on. The peasants have occupied the land - over 68,000 acres. They are not paying any share of the crops that the government wants them to pay. They have challenged the unlawful claim of the

military that they are the owners of the land by their three-year-old movement of civil disobedience. They are not paying the military and are telling them that they have "paid enough for over 100 years and no more".

After the elections

17 February 2004, by Jun'ichi Hirai

Despite the LDP's losses, the three-party ruling coalition won 275 seats and an absolute stable majority in the lower house. With the LDP's loss of seats, the influence of its governmental coalition partner, the Komei Party (a centrist Buddhist party) is now certain to increase. The Komei Party, backed by a powerful Buddhist religious organization (Sohka Gakkai) played a decisive role in helping the ruling coalition to maintain its absolute majority. Without support from the Komei Party, the LDP would not be able to win in the single-seat constituencies which elect 300 seats out of the total 480. [29]



Meanwhile, the New Conservative Party, the smallest member of the ruling coalition, said on November 10 it would merge with the LDP, unveiling the measure a day after taking a beating in the election. The biggest opposition party, the Democratic Party of Japan (DPJ) supported by the biggest trade union federation "Rengo" (Japanese Trade Union Confederation), increased its representation by 40 seats to 177. [30] It gained more than 22 million in total votes from the regional proportional representative constituencies which elect 180 seats, more than the LDP's vote of less than 21 million. The DPJ, which merged with the smaller right-wing nationalist Liberal Party (LP) just before the general election, is an amalgam of former members of the Social Democratic Party and a

conservative split from the LDP. It is now the only opposition party in parliament which is capable of challenging the LDP's monopoly of government for nearly 50 years.

Another serious result of the general election was the devastating defeat of the traditional reformist left parties of the post-Second World era, the Japan Communist Party and the Social Democratic Party. The JCP gained nine seats, 11 less than the previous election in 2000, while the SDP gained only six seats, against 18 before the election. In the single-seat constituencies, the JCP couldn't gain a seat and the SDP gained only one seat in Okinawa Prefecture (the southern islands where very big US military bases are located). Although the JCP and SDP each gained 7.8% and 5.1% in proportional representative votes, they represent together only 3% of the seats in the Lower House. As a result we can say that "left" forces have almost disappeared in the Japanese parliament.

When the SDP joined a coalition government with the LDP in 1994 and SDP president Ki'ichi Murayama became prime minister, backed by the LDP, the SDP abandoned its traditional pacifist position, accepting the Japan-US military pact and a strong presence of Japanese troops (the Self Defence Force), which it had opposed for several decades. After the SDP left the governmental coalition in 1996, it returned to its previous pacifist position. But it had lost support from its voters through this confusing process and many of its

members of parliament left the party and joined the DPJ. In the meantime, attracting some former supporters of the SDP, the JCP gained more than 14% of the vote at the Upper House elections in 1998 and increased its influence in the Japanese political arena. On this occasion, the JCP tried to become a "reliable" political force for the ruling class. It followed the SDP's example, saying that it would accept the Japan-US military pact when it joined a coalition government with the other non-LDP parties such as the DPJ. The JCP also claimed that it would adopt policies which strictly remained in the framework of capitalism. But this fundamental "right turn" was the beginning of continuous setbacks for the JCP at every level of elections after 1998. The JCP has lost nearly half its vote in this five-year period and, as one of the biggest post-Stalinist parties in the imperialist countries with 300,000 party members, is now facing a very serious ideological crisis of historical identity.

The emergence of a "two-party" system

All the spokespersons of the ruling class and the mainstream mass media welcomed the results of the general election. They claimed that a "realistic two-party system" which enabled a smooth change of regime had been established for the first time and that through electoral competition between these two parties, the LDP-Komei bloc

and the DPJ, Japan could resolve its imminent economic and social crisis by eliminating the old-style corporatist system. Supported by the “Rengo” trade union bureaucracy, the DPJ has presented itself as a neo-liberal “reformer” party. Naoto Kan, the DPJ’s president, said “We should carry out both Margaret Thatcher’s and Tony Blair’s projects at the same time”. When Jun’ichiro Koizumi took office after victory in the LDP’s presidential race in April 2001 saying “I will break with the LDP if the majority of the party does not accept my ‘reform project’”, Yukio Hatoyama, the DPJ’s leader at that time, welcomed Koizumi’s discourse to facilitate neoliberal policies. The DPJ’s platform at the election campaign proposed speeding up privatization of public services and deregulation of job security. It stressed the destruction of an outdated social system controlled by the state bureaucracy and encouraged free competition of the private sector. In the name of “civil society”, DPJ represents the interests of big business.

Disappointed with the JCP and SDP, some NGOs supported the DPJ as an alternative to the LDP-led government but many people who couldn’t find any difference between the LDP and the DPJ chose abstention. In spite of a strong media campaign to vote to change the political map, the voting percentage was the second lowest among general elections after the Second World War era - 59.86%. Under the “two-party system”, the LDP and DPJ both stood on the same political base; two big parties both pursuing policies of neo liberal “structural reform” and militarization under the US imperialist strategy. For ordinary people, there was no choice between voting for the LDP or the DPJ; it was the choice of a different type of “evil” rather than between a “lesser evil” and a greater one.

Social crisis and chauvinist frustration

After two years and ten months of the Koizumi administration the economic and social crisis in Japan has

continued to deepen. Official statistics show that the rate of total unemployment stays above 5%. But according to the official statistics, workers who work only one hour in the last week of a month are not counted as unemployed. Moreover workers who give up looking for jobs because of the lack of decent wage and working condition are also not counted as unemployed. So in fact the percentage of workers unable to find jobs is more than 10%. In particular, young and middle aged people experience difficulty in finding regular jobs. 40% of students who will graduate high school in March 2004 and want to be employed are unable to find regular jobs. Meanwhile, working hours including unpaid overtime are increasing even in firms with trade unions. The trade union leadership sometimes accepts this illegal overtime in the name of “business logic”.

The real income of working people continues to decrease. Under the pressure of a public debt that has now reached nearly US\$7 trillion, the social security system has deteriorated radically. Social expenditure on education, health care and pensions has been cut enormously. The leaders of the Keidanren (Employers’ Association of Japan) have insisted on a massive increase in VAT from the current 5% to 15% in the near future. Prime minister Koizumi has repeated the slogan that “without structural reform, there will be no economic growth”. But it is clear to people that Koizumi’s neoliberal “structural reform” policies have brought about suffering for working people. More than 30,000 people commit suicide every year. Nevertheless, because of a lack of effective resistance against the capitalist offensive, the desperate atmosphere among working people is easily channelled in a chauvinist and nationalist direction. Young people are uninterested in trade union activity because there has been no mass strike action by workers for about 30 years. Throughout 2003, during the “war against terror”, massive chauvinist feelings against North Korea have been growing, stimulated by the crimes of the Kim Jon Il dictatorship, particularly abductions of Japanese citizens carried out by North Korean

secret agents in the 1970s, which Kim Jon Il himself confessed to in September 2002 at the summit talks with Koizumi in Pyongyang.



These chauvinist feelings are also targeted at Korean residents in Japan and illegal migrants from China. These ultra-right fascist groups, some of which criticize the pro-US line of the traditional ultra-right forces, have threatened the teacher’s union and the Korean residents’ organization with symbolical gunfire attacks on their offices. These fascist groups have been encouraged by famous ultra-right nationalist politicians such as Shintaro Ishihara, the governor of Tokyo Metropolitan or Shingo Nishimura, a member of the Lower House for the DPJ.

Sending Japanese troops to occupied Iraq

After Koizumi took office in April 2001, he showed his eagerness to redefine the Japan-US security pact to transform it into a more effective military alliance that allowed the exercise of the right of “collective self defence” jointly with US troops, similar to the US-British alliance. For this reason, Koizumi stressed the necessity to revise the Japanese Constitution, particularly Article 9 of it, which prohibited holding any military force.

The so-called “Peaceful Constitution” of Japan was a result of the defeat of Japanese imperialism in the Second World War. Soon after the “Peaceful Constitution” was enforced, however, US imperialism changed its strategy of disarmament of the Japanese state and began to re-establish Japanese military force in the name of the creation of a “Self Defence Force” to counter “threats of invasion from the Soviet Union and Red China”. Whereas Japan’s new “Self Defence Force” grew up to become one of the most modern and powerful armies in the Asia-Pacific region, the Japanese

ruling class couldn't revise Article 9 of the Constitution because of strong pacifist sentiments among the Japanese people. Bush's "global anti-terrorist war" strategy encouraged Koizumi's intention to revise the "peaceful article" of the Constitution.

After September 11, 2001, the Koizumi administration passed a special law, backed by the majority of the DPJ, to send Japanese fleets to the Indian Ocean to support the US-led multinational military forces in Afghanistan. The Koizumi administration has unconditionally supported George Bush's war against Iraq. After the occupation of Baghdad, the Koizumi government finally passed a special law to send Japanese "Self Defence Force" to occupied Iraq and join the US-led "coalition force".

This was the historical turning point for Japanese imperialism after the Second World War. Japanese troops are now being dispatched to the battlefield of Iraq to support the "coalition force" and preparing to oppress the resistance of the Iraqi people. The "importance of the Washington-Tokyo coalition" was the only reason for Koizumi to justify the sending of the Japanese "Self Defence

Force" overseas, violating international laws and the Japanese constitution.

Development of peace movement

Despite the marginalization of traditional reformist left parties such as the JCP and SDP, an independent peace movement was able to mobilize tens of thousands of people against Bush's war and against the Koizumi administration's support for it. The continuous demonstrations which were held in March and April 2003 were relatively moderate in form and their political character might be described as one of very primitive pacifism. But they were the biggest mobilizations since the era of the Vietnam War in the late 1960s and early 1970s. In particular, young people, who had been deeply depoliticized and had become increasingly conservative, played a very active role in mobilization.



Activists of the anti-globalization movement, such as ATTAC-Japan, have

been very conscious of the need to make close links between the peace movement and the anti-neoliberal globalization movement. Given the absence of a mass collective resistance movement against the neoliberal offensive, the influence of the anti-globalization movement was very limited in Japan before the demonstrations of the peace movement in spring 2003. However now we can see that increasing numbers of working people and youth are supporting the campaign for the World Social Forum. Faced with a serious crisis of the traditional left parties, the problems for the revolutionary left in Japan are to take up the possibilities of growing mass opposition to Bush's war and militarization in Japan, and to facilitate the process of regroupment of the fragmented left groups through open and democratic discussions.

We are faced with the task of founding a credible anti-capitalist left alternative force. It should be projected on an Eastern Asia wide basis including Korea, China and Taiwan and has to establish strong links with people's movements in other Asia-Pacific countries. We have to seize this opportunity.