



# Vanguard

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Organ of the National Steering Committee of the Zimbabwe Communist Party



**CRISIS**

The flag of Zimbabwe is shown flying against a blue sky with white clouds. The flag features six horizontal stripes of equal width in the colors red, yellow, green, red, yellow, and green. The upper left canton is white and contains the national emblem, which is a golden Zimbabwe bird standing on a shield. The word "CRISIS" is overlaid on the flag in large, bold, black letters with a white outline. The letters are slightly slanted and positioned in the center of the flag.

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**COMRADES, WHERE ARE YOUR ARTICLES?**



**We need articles from all our Provinces**

**We need articles from our Trade Unions**

**We need articles from our  
Residents' Associations**

***WRITE !!***

## EDITORIAL:

### Drop the Bond Note, Adopt the Rand. Fight State Capture



**“The Communists fight for the attainment of the immediate aims, for the enforcement of the momentary interests of the working-class...”**

Karl Marx and Frederick Engels, *The Manifesto of the Communist Party*, Section IV (1848)

Since the formation of the Zimbabwe Communist Party on 28<sup>th</sup> April 2017, we have been highlighting the basic concept that **production** creates **wealth**, creates **money**. Because of the obsession both government and many ordinary Zimbabweans have with money — often trying to create money without production — we have in the past payed little attention to the problem of money, of currency; we have concentrated on long-term solutions based on increasing production.

However, the acute crisis which is occurring at present means that we must now look closely at immediate remedial action. We cannot wait for the long-term solution, the introduction of socialism before we take action! In this issue we therefore examine the currency problem and we examine corruption.

Here we wish to remind comrades of the necessity of:

- (1) Understanding how to deal with the problems of capitalism. Even if we established the Dictatorship of the Proletariat in Zimbabwe tomorrow, we would still have to administer capitalism during the period of transition and even after the establishment of socialism, we will still have to learn to deal with a world in which capitalism is still the dominant mode of production.
- (2) Understanding the importance of employing specialists in different fields of production and administration. Colls Ndlovu who wrote the article on currency in this issue is such a specialist.

In simple terms, we need a simple **immediate** remedy for our cash crisis: we must drop the Bond Note and adopt the South African Rand.

Long term, we need the restoration of production and production which will benefit the majority of our people. The ZCP Political Economy Policy Document which is central to our current programme outlines the way forward. This aims at creating a National Democratic Economy based on National Planning linked to Devolution of Power to the People; a plan in which our natural resources are nationally owned and in which the commanding heights of the economy are under government ownership or at least under government control.

Our concept of a National Plan, as Communists, is one in which every ward and village participates. Every District, town and city must have a Plan, every Province must have a Plan and these must feed into the National Plan.

In order to achieve this, or at least move towards that goal, we are calling for a National Economic Dialogue, and the ZCP in collaboration with others, is in the process of organising a conference which can help to spread our concept to a wider audience and lead Zimbabweans collectively towards building our economy and our nation.

To put it in terms which may be understood by most Zimbabweans, we want to go back to the kind of economy which we had **before** the Economic Structural Programme (ESAP), but in a more democratic form.

As Communists, we see this as a first step towards socialism — the social ownership of the means of production.

We have included in this issue of *Vanguard*, some important theoretical articles. We cannot properly solve our immediate issues without understanding theory.

We have an article by Lenin written over 100 years ago on banking. Read it and you will see that little has changed. In fact, worldwide, since the neo-liberal agenda got underway from about 1980, the bankers, who produce nothing, have increased their profits enormously at the expense not only of the working-class but also at the expense of productive capitalism.

We have also included an excellent article on the results of ESAP in Zimbabwe, written in 1996 by Canadian academic Richard Saunders. Almost all Zimbabweans who have even a smattering of political consciousness recognise that the first step towards the destruction of our economy came with ESAP, the imposition of the neo-liberal agenda in Zimbabwe. But despite this general understanding, both the two major political parties and **all** of the smaller ones (apart from the ZCP) have swallowed whole — like a python swallowing a buffalo, horns and all — the twin ideological concepts of “Foreign Direct Investment” and “We must all become entrepreneurs”. The second idea has already born fruit with our major cities filled with ‘entrepreneurs’ in the form of vendors. Neither the ZANU(PF) national government nor the MDC local councils, which both continue to mercilessly persecute street traders, recognise that these people are merely following the ideological line of these two bourgeois parties.

As the grossly ignorant politically and economically uneducated leaders of ZANU(PF) and MDC in its various formats jostle for power, we are reminded of the words of the great African intellectual Frantz Fanon.

**“When such parties are, questioned on the economic programme of the state that they are clamouring for, or on the nature of the régime which they propose to install, they are incapable of replying, because, precisely, they are completely ignorant of the economy of their own country.”**

Frantz Fanon, *The Wretched of the Earth*, Chapter, *The Pitfalls of National Consciousness* (1961)

Then we come to the extract from *What is Marxism?* By Emile Burns. This piece explains the basics of capitalism, basics which are the same now as they were in 1867 when Karl Marx published Volume I of *Capital*. If we wish to understand properly the nature of modern capitalism, we must understand the foundations as well as the superstructure.

Coming to light as we get ready for publication is the relationship between Chiwenga and Tagwirei, and, more importantly, between Tagwirei and Trafigura. Trafigura is one of the most dangerous multi-nationals on the planet and it is in the process of state capture in Zimbabwe.

There is a narrative being expressed by some, that people who are now being accused of corruption are being accused for factional reasons internal to the ruling party; and as those making the accusations are also deemed to be corrupt, those they accuse should not be arrested and brought before the courts!

We cannot wait until we have a “level playing field” before legal action starts. It will never happen. But once it becomes the norm to prosecute people for corruption, rather than re-deploying them, others will certainly follow. Those condemned will expose both their friends and their enemies.

Let's get ready to rumble!

Given the current conditions, the ZCP is renewing its call for a National Economic Dialogue. We have already making plans for a very serious conference to which “all stakeholders” will be invited. We will announce details in due course. We do not claim to have **all** the answers. But we are absolutely convinced that concentration on the restoration of production and the debate around this must take centre-stage. Some may disagree with concepts and opinions in this issue of *Vanguard*. We welcome constructive engagement. Please write your articles and letters on how to rebuild the economy of Zimbabwe, taking into account both short term remedies and long-term solutions.



## GENERAL SECRETARY'S REPORT

### Zimbabwe Since the November 2017 Coup

Days before the military coup, on 11<sup>th</sup> November 2017, the Zimbabwe Communist Party, launched its Red October Campaign in Sakubva, Mutare, calling for a National Economic Dialogue.

We said then, that the 2018 election outcome would be contested, pushing to the back burner the economic agenda.

We said then, that, in order to move forward with the central task of rebuilding the economy, we should convene a conference which would be a major step towards building a National Economic Dialogue involving all stakeholders.

On the 17<sup>th</sup> November 2017, the tanks rolled on to the streets of Harare, bringing an end to the rule of President Robert Mugabe.

When the military took over with Emmerson Mnangagwa as its civilian face, we characterised Zimbabwe as a country controlled by a deep state practicing militaristic capitalism.

We noted that the failure by ZANU(PF) to address the succession question, coupled with factionalism, were the main causes of the military take-over. Failure to develop a clear succession plan and to deal with factionalism has destroyed or weakened many former liberation movements and ruling parties throughout our continent.

The ZCP call in November 2017, following the forced removal of President Mugabe from power, was for a Government of National Unity that would promote national healing and for an agreement to implement a clearly articulated programme to address economic challenges facing our country.

This did not happen. The civilian leadership in ZANU(PF) saw an opportunity to maintain its control while at the same time ending international isolation by re-joining the British Commonwealth and engaging international capital in trying to rebuild the Zimbabwean economy under militaristic capitalist rule — thus transforming themselves from a parasitic bourgeoisie, engaged in looting while simultaneously mouthing anti-imperialist slogans, into a comprador bourgeoisie, obtaining their percentage while acting as the servants of foreign monopoly capital.

As we said concerning the coup, the military intervention was necessary, though as Communists we did not support the emergence of Emmerson Mnangagwa as President. It was necessary in that, the G40\* faction was bent on creating a Presidential dynasty by appointing then First Lady Grace Mugabe as President of Zimbabwe; its continued looting of our resources and its lack of any plan to develop the economy was catastrophic. This does not mean that Team Lacoste\* was not looting.

While a number of leaders from the developing economies agreed with former President Mugabe's rants at United Nations gatherings, they could not openly support him fearing international isolation. Team Lacoste understood this and sought to 'reform' ZANU(PF) by advancing a neo-liberal developmental agenda while continuing to loot in a more sustainable fashion.

The Team Lacoste 'reform' agenda was welcomed by the British ruling élite who then put together a plan to work with the Zimbabwean military and Team Lacoste to end Mugabe's rule.

Though the British over the years had supported the MDC, this did not mean the British loved the MDC and the constituency it represents; the British ruling class was interested only in advancing its own economic interests in its former colony. When Mugabe finally agreed to resign, the British government sent a high-powered delegation to attend the inauguration of Emmerson Mnangagwa as President of Zimbabwe. We have seen close co-operation between the British and the government of Zimbabwe since the military coup and since the July 2018 elections.

Once they realised that there would be no inclusive government, the MDC, which over the years had received financial support from Britain and the USA, went running for help to Washington and Tel-Aviv where they maintained passionately that **they** were the best representatives of imperialist interests in Zimbabwe; failing to raise funds, they went to the July 2018 elections almost broke. There are allegations that the former First Family pumped some monies into the MDC election campaign. When former South African President Thabo Mbeki was defeated at the ANC Polokwane Conference in 2007, the forces that had combined to remove him failed to remain united. We are now witnessing something similar in Zimbabwe with new factions emerging inside ZANU(PF): one led by President Mnangagwa, another by Vice President Chiwenga and another by War Veterans leader Chris Mutsanga. When Mnangagwa became President, it was clear that the power behind his throne was Vice-President Chiwenga, whom we are told did not want to leave the military until it was agreed that he was to retain control of the army through the Ministry of Defence: thus, he became both Vice-President and Minister of Defence in November 2017. This was unconstitutional, but President Mnangagwa agreed to this arrangement to buy time.

Mnangagwa realised the importance of having a free, fair and credible election as a way of legitimising and strengthening his control of the state and its key organs, like the military, without bowing down to his deputy. His insistence of inviting election foreign observer missions was to win both internal and international support for his administration. While the election was free from political violence, some foreign observer missions were critical of his party's misuse of state resources including the state media.

What then alarmed the world was the shooting and killing of opposition supporters on 1<sup>st</sup> August 2018. In response, President Mnangagwa appointed an international commission to investigate the circumstances that led to the deployment and the killing of civilians. What is interesting about this commission is that, it is led by former President of South Africa Kgalema Motlante. ZANU(PF) and the ANC enjoy a close relationship as they both seek to rebuild their organisations following the departure of their former Presidents who were rejected by the ordinary people in both countries.

Will Comrade Motlante pass a judgement criticising ZANU(PF) — or he is expected to pass a judgement that will assist President Mnangagwa to prevail over his Vice-President?

Last week, Justice David Mangota, who worked for a long time as the Permanent Secretary to Emmerson Mnangagwa when he was Minister of Justice, maintained that it was Vice-President Chiwenga, in his capacity as Minister of Defence, who was responsible for deploying the military on to the streets of Harare.

Will the Motlante Commission come to a different conclusion arrived at by Justice Mangota? Is the Harare High Court preparing a soft landing for the Motlante Commission for it to lay the blame on the doorstep of Vice-President Chiwenga thus absolving the President of any wrong doing?

If the Motlante Commission were to blame BOTH Vice President Chiwenga in his capacity as former Defence Minister (after the July elections, Chiwenga did not return the Ministry of Defence portfolio) AND President Mnangagwa, what would this mean to the relationship between the ANC and ZANU(PF)?

In 2005, following Operation Murambatsvina [Remove the Rubbish] — the destruction of street-markets and backyard shacks, leaving tens of thousands homeless, the United Nations established a commission of inquiry headed by Anna Kajumulo Tibaijuka a member of the Chama Cha Mapinduzi (CCM) [Party of the Revolution], the ruling party in Tanzania. When Ms Tibaijuka landed in Harare, ZANU(PF) was pleased that “one of their own” was investigating them, given the historical ties between ZANU(PF) and the CCM. To their surprise, the Tibaijuka Commission was merciless in criticizing the ZANU(PF) government; what then annoyed them even more was that after Ms Tibaijuka left the UN, she became a member of the National Assembly of Tanzania, and a cabinet minister. ZANU(PF) felt betrayed by the ruling party in Tanzania.

## Will Motlante do a Tibaijuka on ZANU(PF)?

When President Mnangagwa was elected in July 2018, he appointed a cabinet that was seen capable of driving his new neo-liberal agenda. Mthuli Ncube who had left Zimbabwe following the collapse of his Barbican Bank in 2003 has returned as Zimbabwe's new Minister of Finance. On assuming office, he immediately identified those in control of the Reserve Bank of Zimbabwe as the main problem around the issue of currency and the creation of a currency black market. This currency issue is discussed elsewhere on this publication but the point I am making is that the very people running a cartel at the Reserve Bank are the ZANU(PF) political leaders — or, at least, a section of them.

Instead of dealing directly with this cartel, the Ministry of Finance appointed a Communication Commission Task team headed by a dubious character, William Gerald Mutumanje, more commonly known as Acie Lumumba. Lumumba very quickly went on to his Facebook page to allege that senior bank directors, controlled by a faceless individual known as "Queen Bee" are responsible for looting the bank.

The man identified as having captured the Reserve Bank of Zimbabwe, sponsoring politicians is the oil tycoon Mr Kudakwashe Tagwirei who is said to be in the Chiwenga camp or is a front for the Chiwenga business empire. When Lumumba named four Reserve Bank of Zimbabwe directors as corrupt, the Governor of the Reserve Bank placed them on suspension before proclaiming them as innocent with no investigations carried out. The Lumumba Task Team only lasted for three days before it was said to have been disbanded by the Minister of Finance though other reports quoted the President as denying its disbandment. What is strange is that Acie Lumumba was appointed on a Friday and by the following Sunday had named the directors as corrupt on his Facebook page. It is clear that he had been given an intelligence report to read.

What is strange is this. Why was the Anti-Corruption Unit called in to investigate corruption inside the Reserve Bank of Zimbabwe? Did Vice-President Chiwenga put pressure on Minister Mthuli Ncube to disband the Communication Task Team?

The War Vets played a critical role in opposing G40 inside ZANU(PF), this led to the firing of its Chairman both in government and party by then President Mugabe. Chris Mutsvanga then went on to mobilise forces opposed to the G40. Mutsvanga claimed victory when ordinary citizens poured into the streets in November last year celebrating the departure of Mugabe. When Mnangagwa named his cabinet in November, the leader of War Vets was first named as a Minister but then assigned to the Office of the President as an advisor. Unfortunately, President Mnangagwa had appointed more Ministers from outside Parliament than was allowed by the Constitution. When this was brought to his attention, he sacrificed the leader of the War Vets.

Chris Mutsvanga understood in November 2017 why he could not be a cabinet Minister. He then went to work in his constituency, Norton just outside Harare. Initially, he lost the internal ZANU(PF) primary elections, but then forced out his competitor by raising the political dust; unfortunately for him, he lost in the July 2018 harmonised elections to an independent candidate, Themba Mliswa, who is said to be close to President Mnangagwa. His failure at the election meant that Mutsvanga could not be appointed to cabinet and we are told he is no longer the Presidential special adviser. This has left him out in the cold blaming his woes on Vice-President Chiwenga and the rest of the military establishment. He is now on a mission to once again mobilise war vets to support him as a perfect replacement for President Mnangagwa.

As the Zimbabwe Communist Party, we are of the view that the way forward is to focus on the rebuilding of our economy and create dialogue amongst ourselves as Zimbabweans. The July 2018 elections have once again confirmed Zimbabwe as a two party state, with the working-class in urban centres supporting the MDC while the rural voters are supporting ZANU(PF). As we build the vanguard of the working-class and peasants, our revolutionary task is to lead BOTH the urban and the rural people.

While both ZANU(PF) and the MDC are pursuing a neo-liberal agenda, we must recognise that the long-term solution is the adoption of a National Democratic Economy as a first step towards socialism, but that the immediate crisis, that of cash availability needs to be resolved within the limits set by the capitalist system.

This problem is dealt with elsewhere in this publication.

At a political level, all parties represented in parliament, labour unions, business organisations must work towards a unity government to pull Zimbabwe out of this crisis. At present, we must accept that in such a government, ZANU(PF) will be dominant.

The ZCP is of the view that, ZANU(PF) will not agree to the proposal put forward by MDC President Nelson Chamisa in resolving the crisis. ZANU(PF) will not accept any dialogue that questions the legitimacy of President Mnangagwa; the planned mass actions by the MDC will not result in the removal of the ZANU(PF) government.

In November 2017, Mugabe was removed because the military was against him, this time around, even though there are differences between President Mnangagwa and Vice-President Chiwenga, we do not believe there will be a coup in the next few weeks for the benefit of the opposition.

Under the circumstances, we must all of us focus on finding solutions for our country and a Government of National Unity is the only immediately available option which can speak to economic development, implementation of Devolution of Power and other provisions of the Constitution, as well as implementation of recommendations contained in the SADC Observer Election Mission and other observer groups.

## **Note:**

\*G-40, \*TEAM LACOSTE: The names of the two main factions in ZANU(PF) prior to the coup. These factions were not based simply on personality, but also on ideological and practical differences within the ruling élite and to some degree represented different strata within the Zimbabwean emerging capitalist class.

G-40: Generation 40 was a group of the affluent and the arrogant within ZANU(PF) who were mainly in their 40s, hence the name. They distinguished themselves through conspicuous consumption. For example, in 2015, Saviour Kasukuwere, then National Political Commissar for ZANU(PF) built a 50-room mansion at a time when most people were living in acute poverty. In October 2017, little than a month before the coup, Russel Goreraza, the son of Grace Mugabe by her first marriage, flew in two brand new Rolls Royce cars from Britain and boasted he was going to also purchase an Aston Martin. Patrick Zhuwao, a nephew of Robert Mugabe was one of the main protagonists for black Zimbabweans to take a 51% share in all white or foreign-owned businesses. This, of course, did not mean that 51% would go to the workers of the enterprise involved. It meant that those in the ruling élite would be able to loot existing businesses. This, more than any other factor, led to the final close-down of industry in Zimbabwe. G-40 supported the candidacy of Grace Mugabe, Mugabe's shopaholic wife as future President of Zimbabwe.

TEAM LACOSTE: The name was adopted from the French clothing company which uses a crocodile as its logo. The nickname 'Ngwena' [Shona for crocodile] was given to Mnangagwa during the liberation struggle; as a member of the "Crocodile Gang". The name was strengthened by Mnangagwa's reputation for ruthlessness. Mnangagwa held a number of ministerial portfolios. By the late 1990s a definite faction had formed around him. It was clear that by that time he was aiming for the presidency. In 2004 the Tsholotsho Declaration, attempted to secure the succession for Mnangagwa following the death of Vice-President Simon Muzenda. This was defeated at the 2004 ZANU(PF) Congress by the combined forces of the Mujuru faction led by the late Solomon Mujuru and his wife based in the north-east of Zimbabwe and the old ZAPU, mainly in the south west. Joice Mujuru was elected Vice-President by that Congress. After the exit of ZAPU from the ranks of ZANU(PF), the death of Solomon Mujuru and the removal of Joice Mujuru from the Vice-Presidency and from ZANU(PF), Mnangagwa's faction became stronger and gained the nickname 'Lacoste'. Although Team Lacoste had been engaged in looting, it became obvious to them that simple looting was not sustainable and that it was necessary to revive production. This is what distinguishes them from the G-40.

# SAKUNDA AND TRAFIGURA: CORPORATE CAPTURE OF THE STATE IN ZIMBABWE

*This report comes from Africa Confidential (AC). <https://www.africa-confidential.com/news>*

*The ZCP does not necessarily subscribe to all the opinions  
expressed in this very informative article.*

A split at the top of the ruling party between President Emmerson Mnangagwa and his two vice-presidents — Constantino Chiwenga and Kembo Mohadi — is manifesting itself in a vicious fight for control of the country's oil sector. The President is believed to fear that Chiwenga intends to oust him from power.

The military-backed owner of Sakunda Holdings, Kudakwashe Tagwirei, is believed to have upset Mnangagwa and his allies, who are now trying to loosen his grip on the fuel supply and distribution business, which is backed by the Dutch-headquartered global commodities firm Trafigura.

Mnangagwa's allies are briefing that Tagwirei has 'captured' the state and its institutions, although before the current row he was considered a pillar of the régime. Without implicating the army, the former war veterans leader Christopher Mutsvangwa, a special advisor to Mnangagwa, said that Tagwirei was dividing the presidium, the ruling Zimbabwe African National Union (Patriotic Front)'s leadership body.

"How can a businessman have preferences in the presidium? That is trying to turn the country into a banana republic," he told a Sunday newspaper. He claimed Tagwirei was getting preference ahead of other players in allocations of foreign currency, ranging between \$80 million and \$90m a month, from the Reserve Bank of Zimbabwe (RBZ).

The crusade against Tagwirei was meant "to stop the flow of cash to the military", sources said. That involves breaking Trafigura's monopoly on the fuel pipeline running from Beira in Mozambique and disbanding the Command Agriculture programme, first bankrolled by Trafigura to the tune of \$192m in 2017. Command Agriculture has since relied heavily on government funding but is thought to have become a conduit for looting by senior regime figures. It is run by Tagwirei and the military.

## Fuel Discontent

"But the key interest is the fuel assets. Trafigura acquired these through Sakunda on acquisition of the company," said a fuel industry source familiar with the fights. Mutsvangwa accuses Trafigura of "using public infrastructure".

"How can a pipeline and underground fuel reserves built by the country end up being run by a private individual? With its facilities, Zimbabwe should be a regional hub for fuel, but for 20 years it has had artificial shortages of fuel when it has the third-largest facility in the world," he complains.

Through exclusive agreements, Trafigura controls the Feruka pipeline, which connects its important storage facilities in Beira to Harare. This has enabled the company to push its product, to Malawi Zambia and Botswana.

Zimbabwe's Competition and Tariff Commission approved Trafigura's acquisition of Sakunda Energy on condition that it allows other fuel importers to use the Feruka pipeline. However, industry players say that other companies have been put off the installation by Trafigura's "punitive charges" and use road transport instead.

The pipeline has potential competition. South Africa's Mining Oil and Gas Services (MOGS) wants to construct a multibillion-dollar fuel pipeline from Mozambique branching into three southern African countries through Zimbabwe. This may undermine the Feruka pipeline, in which Trafigura has invested a great deal of money. As a result, the National Oil Infrastructure Company (NOIC), the state-owned firm which owns the pipeline jointly with Lonmin, formerly Lonrho plc, is trying to stand in MOGS's way.

Partly to justify its resistance to another pipeline, NOIC had already roped in Trafigura to undertake two upgrades on the old line to enable it to pump up to 16m litres of fuel per month. It had funded an upgrade four years ago when a drag-reducing agent was introduced which allows quicker movement of fuel, pumping a maximum of six million litres per day.

Eddie Cross, who is working with MOGS, said Trafigura had secured 'exclusive rights to the pipeline' by pre-paying for the facility for many years. That has excluded other players from using the pipeline, he told *Africa Confidential*. Cross is a former managing director of the Beira Corridor Group and an MP with the opposition Movement for Democratic Change.

Tagwirei has been "flirting with the generals" ever since the coup that deposed former President Robert Mugabe, who was replaced by Mnangagwa in November, sources close to Tagwirei and Mnangagwa said.

## Cabal Fear

This has been a source of great worry for Mnangagwa and his allies, who believe a military cabal, led by Chiwenga, is plotting to oust him. Tagwirei, whom Mnangagwa disclosed was his cousin when he attended the funeral of Tagwirei's father, has been working closely with Chiwenga and several other army generals in recent months, sources close to the men report.

At that funeral,

"The whole army went there, the whole government was closed. I was outraged: A single person closing government business? This is a sign of inordinate power. Where does it come from? We want to know who is backing him," Mutsvangwa told *The Standard* newspaper.

Now, sources have told AC, Mnangagwa is concerned about a "brewing coup" that may be supported by oil dollars. One source said Tagwirei's offices "resembled a barracks" because of the frequent visits by top military men.

This is not surprising. Before the coup, the military "emptied the fuel tanks" at all Sakunda-controlled depots before rolling out their armoured personnel carriers on the streets to force Mugabe from power. "He was part of the inner circle of people who planned the coup," a source within the army said. "The idea was for Mnangagwa to serve one term and hand over power to Chiwenga, who would serve two terms before handing over to retired general Sibusiso Moyo [who belongs to the minority Ndebele]. That was meant to at least balance the tribal interests."

Moyo, the Minister for Foreign Affairs, is the general who announced the November military takeover on television. Curiously, he has been unwell with a reported kidney ailment since September and has not been seen in public. Chiwenga has also been ill since November, he told mourners at his sister's funeral. He was hospitalised in South Africa last month.

Zimbabweans speculate that the two may have been poisoned by those keen to eliminate potential challengers to Mnangagwa's stay in power although such rumours always fly around during power struggles. Tagwirei's proximity to Trafigura has given him access to cash, which he has used to bail out the government as well as to make gifts to politicians and military officers.

The first sign that Mnangagwa's regime was targeting Tagwirei emerged late last month when a dismissed ZANU-PF member, William Mutumanje (also known as Acie Lumumba), who had just been appointed by new Finance Minister Mthuli Ncube to chair a communications task force, alleged that Tagwirei was a "Queen Bee" fleecing the economy by dominating the fuel sector. He said Tagwirei was working with four RBZ directors who were giving him preference in allocating foreign currency, some of which was being diverted back into the directors' bank accounts.

Although RBZ Governor John Mangudya at first defended the directors, he swiftly suspended them and they are believed to be under investigation. Mutumanje's outbursts were then followed by Mutsvangwa's allegations, which critics said could not have been made without Mnangagwa's permission.

"Remember, he is Mnangagwa's advisor. He could not have spoken of Tagwirei splitting the presidium without discussing that with his principal," a source familiar with the developments said.

During the campaign period before the 30 July elections, a grenade was thrown at the stage at White City Stadium in Bulawayo soon after a ZANU(PF) rally addressed by the President. The grenade was traced to military stocks. Mnangagwa said he knew the people behind the attack and warned he would deal with them after the election. His allies suspect it was Chiwenga, who wanted "to remind ED about their one-term pact". Apparently, Mnangagwa had already started talking about two terms during the campaign.

Reports of animosity between Chiwenga and Mnangagwa, called ED by many of his supporters, have been a frequent headline in local newspapers, though these have been denied by Mnangagwa.

At an annual national assembly in Harare on 1 November, the ZANU(PF) Youth League coined slogans heralding Mnangagwa's re-election in 2023.

"Those who were saying Mnangagwa will rule for only one term are lost," said the Youth League's political commissar Godfrey Tsenengamu, in a clear reference to the Chiwenga faction.

Chiwenga, who has been beside Mnangagwa at most of his public meetings, was not present.

## **"Escalation of Hostilities"**

Soon after, Mnangagwa, through Statutory Instrument 214 of 2018, stripped Chiwenga of all powers assigned to him for the defence and war veterans' portfolios; he had earlier been given oversight of procurement and research. One cabinet source called this "an escalation of hostilities" between the two.

Mnangagwa is already working with Finance Minister Ncube to stem the flow of cash to the armed forces through Command Agriculture.

"Expenditure on agriculture has been one of the major components driving the budget deficit recently. Expenditure on the sector reached \$1.1 billion as at August 2018, against an annual budget target of \$401m," Ncube said.

But in a sign of defiance, the Air Force of Zimbabwe commander, Air Marshal Elson Moyo, said: "We foresee Command Agriculture going on for ten years to come." He said it had ensured food security in the country.

At least two sources within the energy sector told AC that Mnangagwa had sent his son, Emmerson Jnr, to assure Tagwirei that he was not responsible for his current woes. But Tagwirei is said to have been unconvinced.

A member of the Seventh-Day Adventist Church, Tagwirei reportedly argues that all his deals have been sanctioned by either Mnangagwa or the responsible authorities.

“He has clearly been disturbed by recent events,” said a close friend from church. “He is a victim of renewed factional wars in ZANU(PF).”

Even as he was facing a barrage of attacks from Mnangagwa's allies, Tagwirei came up with a 1.6 billion-litre facility to ease a fuel crisis. Joram Gumbo, the Energy Minister, said the facility was negotiated “with Sakunda and its partner Trafigura.” Even before its conclusion a fortnight ago, Trafigura released 100 million litres of fuel to the government, which immediately eased shortages in the economy. The facility will be paid for after 12 months, Gumbo said.



**Kudakwashe Tagwirei**  
**Is this the ‘Queen Bee’?**

## TRAFIGURA: A Timeline

*Trafigura is a company which trades in metals and oil. It has a record second to none for being totally unscrupulous in its dealings.*

Trafigura specialises at present in shipping contaminated diesel to African countries, although other companies are also guilty in this respect, most notably Vitol and Oryx. In the European Union only 10 parts of sulphur per million is allowed in diesel. Sulphur is the cause of respiratory disease. In Ghana in 2016, sulphur levels of 3000 parts per million were recorded. In Zimbabwe up until 1<sup>st</sup> November 2017, 500 parts per million were allowed, but a new law reduced that to 50 parts per million. We would be interested to hear from informed persons if that limit is being enforced. “African Quality” fuel is a danger to our continent.

### Trafigura Timeline

**Founded 1993:** Founded by Frenchmen Claude Dauphin and Eric Duckheim. It is registered in Singapore and its Head Office is in Geneva Switzerland. It also has offices in the Netherlands, UK and Curaçao. Trafigura is therefore truly multinational, which is a great advantage when avoiding tax. In UK, another important board member is Lord Strathclyde, an hereditary peer and a senior member of the semi-feudal House of Lords in the British Parliament.

**2006: Toxic Waste Dumped in Côte d'Ivoire:** The *Probo Koala*, a ship registered in Panama and chartered by Trafigura, hired a local contractor to offload waste in Abidjan after refusing to pay a €1,000 per cubic metre surcharge imposed by Amsterdam Port Services to discourage waste disposal in the Netherlands. A local contractor, in Côte d'Ivoire, Tommy, improperly dumped the waste materials at as many as 12 sites in and around the city of Abidjan in August 2006. The gas caused by the release of these chemicals is blamed by the UN and the government of Côte d'Ivoire for the deaths of 17 and the injury of over 30,000 Ivorians, with injuries that ranged from mild headaches to severe burns of skin and lungs. Almost 100,000 Ivorians had to seek medical attention. Trafigura maintained that the substance dumped consisted of ‘slops’, waste water from washing the *Probo Koala*’s tanks. An inquiry in the Netherlands, in late 2006, confirmed the substance to consist of more than 500 tonnes of a mix of fuel, hydrogen sulphide, and sodium hydroxide, known as caustic soda.

Trafigura denied any waste was transported from the Netherlands, saying that the substances contained only tiny amounts of hydrogen sulphide, and that the company did not know the substance was to be disposed of improperly. Trafigura officials, including Claude Dauphin and the company’s West Africa regional director, travelled to Abidjan to assist in the clean-up effort but were arrested and imprisoned by the Ivorian government. While its executives were being held, the company agreed to pay US\$198 million for the clean-up to the Ivorian government without admitting wrong-doing, and the Ivorian government pledged not to prosecute the company. Dauphin and his fellow executives were released following the settlement.

In 2008 a civil lawsuit in London was launched by almost 30,000 Ivorians against Trafigura. In May 2009 Trafigura announced it would sue the BBC for libel after its *Newsnight* programme alleged the company had knowingly sought to cover up its role in the incident. In September 2009 *The Guardian* newspaper obtained and published internal Trafigura emails showing that the traders responsible knew how dangerous the chemicals were. Shortly afterwards Trafigura agreed to a settlement of £30 million (US\$42.4 million) to settle the suit. In 2010 a Dutch court found Trafigura guilty of illegally exporting toxic waste from Amsterdam. On 16<sup>th</sup> June 2016, law firm Leigh Day, which represented the Ivorian claimants, was found guilty of negligence after £6 million of the 2009 settlement funds were embezzled. The British public relations company, Bell Pottinger which was closely linked to the British Conservative Party and later was used by the Guptas and Jacob Zuma to defend state capture in the name of fighting “white monopoly capital.” It then went bankrupt.

**2007: Chemical explosion in Norway:** On 24<sup>th</sup> May 2007 an explosion occurred in a Norwegian fjord in a tank owned by a local company, Vest Tank. The explosion had severe environmental and health consequences for people living nearby. In 2008, Norwegian television broadcast a documentary *Dirty Cargo* disclosing what had happened in the small community prior to the explosion. The company Vest Tank was trying to neutralise the same kind of chemical waste that was dumped in Côte d'Ivoire when the explosion occurred. The owner of the waste was Trafigura, on whose behalf Vest Tank was working. Even so, Norwegian authorities did not prosecute Trafigura and the company was not accused of direct responsibility in the Vest Tank incident. Requests by Norwegian police to interview Trafigura employees were not granted by the company.

**2013 Price Fixing in Malta:** In February 2013, Trafigura Maritime Ventures Limited — the Malta based subsidiary of Trafigura Maritime Logistics PTE Limited based in Singapore — and the oil trading arm of Total became involved in an oil price fixing controversy that led them to both be barred from the tendering process at the Enemalta oil purchasing board. Between 1999 and 2012, Enemalta paid the two companies \$3.2 billion for oil, accounting for 70% of the oil purchased by Enemalta in that time period.

**2016 Amnesty and Green Peace Report:** This report shows that the toxic pollution of Abidjan in 2006 was never properly cleaned up nor people properly compensated.

**2017 Trafigura Buys into Sakunda:** In August 2017, Trafigura bought around 50% of the shares of Sakunda, Zimbabwe's biggest fuel dealer owned by Kudakwashe Tagwirei and the name was changed to Trafigura Zimbabwe (Private) Ltd.

**2018 Trafigura Loses its Contract in Angola:** In September 2018, new Angolan president, João Lourenço terminated Trafigura's huge contract with Angola. The company had been deeply involved in the corruption surrounding former president Eduardo dos Santos and his daughter Isabel, the richest woman in Africa.

**2018 Brazil Petrobras Scandal:** In November 2018, Global Witness asked the Serious Fraud Office (United Kingdom) and the US authorities to investigate alleged ties between the Brazilian Petrobras scandal and the three oil trading companies including Trafigura. Members of the most progressive government ever in Brazil were corrupted and the government brought down. [See the articles on Brazil later in this issue of *Vanguard*]



Dangerous Toxic Waste Dumped in Côte d'Ivoire by Trafigura



Toxic Waste Victim

# ***KNOW YOUR NEIGHBOUR !! BUILD YOUR COMMUNITY !!***

## **MKOBA Celebrates the Great October Socialist Revolution**



**Zimbabwe Communists Celebrate the Great October Socialist Revolution at a Public Meeting in Mkoba, the Working-Class Suburb of Gweru, Midlands Province, Zimbabwe on Saturday 3<sup>rd</sup> November 2018**

## **GENERAL SECRETARY'S SPEECH FOR *RED OCTOBER* ON BEHALF OF THE ZCP NATIONAL STEERING COMMITTEE**

Comrades! Every year we celebrate the anniversary of the Great October Socialist Revolution in Russia, the first time that the working-class took power anywhere in the world and held on to it. Let us also remember that despite the counter-revolution which destroyed the Soviet Union in 1991, the immense assistance that country gave to the liberation of Zimbabwe and the rest of southern Africa from colonialism and racist rule.

Unfortunately, soon after Independence our new rulers have forgot the values of the liberation struggle and the philosophy of Marxism-Leninism — Scientific Socialism which guided them through the struggle.

Our Party, the Zimbabwe Communist Party, is not there to challenge the values and aims of the National Liberation Struggle abandoned by the ruling party, but to recover them and advance them and lead the workers peasants and poor to reclaim this country, a country fought for and bled for by our parents and grandparents.

The ZCP does not believe that ‘democracy’ is something that happens every five years. Democracy starts with you — with us. It does not start at State House or even at Harvest House. It starts here in Mkoba!

Last year we held this Red October event in Sakubva, Mutare.

Our home is in Dzivarasekwa, Makokoba and everywhere where we find the working-class. In the rural areas, Binga, Chipinge, Hurungwe are the places where we belong as Communists. In South Africa, Berea and Musina are also places where we find the toiling people of Zimbabwe and where the ZCP must also must do its work.

Comrades, we start with the ordinary people, the suffering people. And this is why our theme for Red October this year is “Know Your Neighbour. Build Your Community”. We celebrate the Great October Socialist Revolution not simply by talking about the glorious history of the Communist movement, but by practical activity.

We agree that this government has failed miserably to do what is supposed to do for our people. But we still have to ask, “What have you done for yourselves? — What have we done for ourselves”. If you ask, “What will a Communist government do for us?”

Our answer is ‘Nothing’.

Communist governments do not do things FOR the People.

Communist governments do things WITH the People.

We encourage and assist the People to do things for themselves. That is real People’s Power!

The starting point is the community in which we live. But there is no use in being a mere collection of disconnected individuals. We must build our communities and to do this we must know our neighbours. That is why our theme this year is “Know Your Neighbour. Build Your Community.”

The question then comes, “Then what do we do?”

After Independence we had pride. This was shown by the cleanliness of our cities, Harare, Bulawayo, and of course, Gweru. But as soon as the Economic Structural Adjustment Programme, ESAP, began in 1991, and everybody was told to become an ‘entrepreneur’ and think only for themselves as individuals and not as communities. Our streets became filthy. Not only did ESAP bring in a rotten economic system, it made us selfish and dirty. We lost our pride.

So, the first step is to keep our neighbourhoods clean. Even if that means we get on to the streets and do it ourselves! Let us stop dropping litter and fouling up our own streets!

Then — we have elected representatives, local councillors. At this stage, we do not care if they belong to ZANU(PF), MDC or any other party. They all must do their job! And if they do not want, regardless of party, we must as communities demand their removal. But if they do their job, again, regardless of party, we must support them!

Also, Comrades, the ZCP is calling for a separation of local elections from national elections. Local problems are being forgotten every time we have “harmonised elections”.

As we build our confidence, we must build community enterprises. This can be either through municipally owned enterprises or through community-based co-operatives.

In the rural areas, we must re-build co-operatives at different levels.

After Independence, we had collective co-operatives like Simukai and Vuka Zenzele. We need to revive this concept. We also had the co-operatives set up by commercial farmers, Dariboard and the Cotton Marketing Board, for example. These are now in the hands of greedy individuals.

Every year, people in the rural areas are ripped off because they do not own transport to the market, ripped off by greedy truck owners. Communities must buy their own trucks collectively.

Comrades, these things will not automatically bring us freedom from exploitation. And they will require a lot of hard work.

But to realise the vision of the Communist Party, to have Devolution of Power to the People linked to National Planning, we must learn HOW to organise. HOW to work together.

So, what is the role of the Communist Party?

It is to create a Vanguard of politically educated and practically trained and dedicated cadres to take the lead within our communities and within the trade unions.

We are not calling on everybody to join the Communist Party.

We are only calling on those unselfish, disciplined and dedicated people who accept our Party programme, who are prepared to learn our ideology and our history and most of all are activists who will work within the collective discipline of the Party.

When you join our Party, you do not automatically become a full member because you have started to pay your monthly subscription. You become a Candidate Member. This usually lasts for one year. During this time as a Candidate Member, you must show yourself willing to learn the Party programme, the Party ideology and to work well wherever you have been deployed. Then you will become a Cadre Member.

The life of a Communist is not an easy life, but it is one which is deeply satisfying. On our Party cards and most of our publications we have this quotation by the Soviet writer, Nikolai Ostrovsky who died young of a wasting disease. In his novel "How the Steel was Tempered", he said:

**"Man's dearest possession is life. It is given to him but once, and he must live it so as to feel no torturing regrets for wasted years, never know the burning shame of a mean and petty past; so live that, dying, he might say: all my life, all my strength were given to the finest cause in all the world — the fight for the Liberation of Mankind."**

**Isando le Sikela !!**

**Sando ne Jeke !!**

**Viva Socialism Viva !!**



# **SOLIDARITY SPEECH from ZISEGU**

*Delivered by Comrade Philemon Nhema  
Secretary-General of the  
Zimbabwe Security Guards Union*

The General Secretary, organisers of this important gathering, delegates and all protocols observed.

Zimbabwe Security Guards Union (ZISEGU) is a duly registered Trade Union in terms of the laws of Zimbabwe. We are part of the Zimbabwe Congress of Trade Unions (ZCTU) family and we were registered in early 2002.

Our main objective, as stated in our constitution is to represent the best working interests of all private security workers in Zimbabwe. The prosperous working life of a security guard is our obsession. We are also part of the National Employment Council (NEC) for the Security Industry, where we constitute 75% thereof.

The Union has robust organs and structures within it, which all stand as its constituents. We have the National Executive Committee, Women Advisory Council, the Young Worker' council, Regional offices, and workers' committees at almost every registered security company as well as shop stewards. These are democratic and administrative organs that are meant to ensure that all our basic objectives, stated in the Constitution, are achieved.

The theme of our gathering here "Know Your Neighbour" resonates very well with our founding principles as a Trade Union. We believe in knowing the basic interests of our constituents and in making sure that we work democratically and vigorously to achieve the same. Representation can never have any meaning if the representatives do not know what the constituents need.

At ZISEGU we ensure that whatever we do comes from the members after very effective consultations and outreach processes. The consultative process at ZISEGU is carried out through these organs outlined above. No action is taken without proof of adequate consultation. We consult them first, identify their needs, aspirations and fears and provide adequately for them. These organs are our neighbours. We wish to know them. That means dining with them, listening to them so that we uphold the slogan "Nothing about us without us". The era of imposing programmes and activities on the constituents is over. We no longer want external medication. This way will ensure adequate and effective representation of the people. We must be leaders not rulers.

ZISEGU therefore listens to the needs of the Young workers. We hear their special interests. We sit down with the women. We allow them to advise us about their special needs. We create spaces for them to achieve and satisfy their special interests. The same applies to shop stewards. We know they know what they want. We have to provide them with the democratic space to achieve that. The most important constituency is the security guard. We really consult them. Union officials are drawn from within the ranks. Wage negotiators, representatives at hearings, workers' committees and works councils and right through to the National Employment Council are drawn from the security guards. They are the people on the ground and they know and understand better what their interests are. ZISEGU ensures that all that is done by the Union is with the knowledge and approval of the members.



This gathering therefore marks an important milestone in the democratisation of the development processes of the modern society. Gone are the days when people were forced to fit into pre-arranged programmes and events. The Zimbabwe Communist Party could not therefore have come at a better time. We are delighted to be part of this new and fulfilling philosophy. There should never be lip service to democracy. Development can never be achieved through dictatorship and suppression of dissent and protestation. We are very proud as ZISEGU to be associated with this noble cause and be part of gigantic efforts to effect paradigm shift from unorthodox governance to modern democratic corporate governance system espoused by ZCP.

We therefore hereby offer our unconditional solidarity with this visionary party/organisation. We pledge to stand by these principles and ideas to the last letter and to shed our last drop of blood defending this divine governance principle.

We thank you.





## Statement by the Zimbabwe Communist Party

### DISCOVERY OF OIL?

The Zimbabwe Communist Party welcomes the oil and gas exploration to be carried out by Invictus Energy Limited of Australia in Muzarabani District, Mashonaland Central. It is still too early to know whether or not there is definitely oil or gas there and even then, if there is enough to be commercially viable. Nevertheless, we believe that the chances of finding commercially viable oil and/or gas are favourable.

In moving forward, we must have clear demands from the beginning:

**The ZCP has always maintained that the minerals under the ground are the collective property of the Zimbabwean people.**

Foreign companies (or even privately owned Zimbabwean companies) should extract our minerals as contractors with at least 51% of the profits going to the Zimbabwean people and 49% going to the company. When we talk of the Zimbabwean people, we mean the Zimbabwean people as a whole, not our “indigenous entrepreneurs” — in fact, “indigenous entrepreneurs”, if they are interested, must be part of the 49%. The 51% should be divided equitably between the workers on the project, the District where the minerals are being extracted, the Province and the National Government.

We must also say that we believe that in conditions in which we are as yet unable to establish our own state-owned oil company, that we are happy with the choice of an Australian company for exploration. Australian companies generally have a track record of non-interference in the affairs of the host country (unlike the Americans, British or French) and unlike the Chinese, are known for conducting reasonable labour relations.

But there are three unrelated questions which need to be answered:

- 1) Are we going to be refining the oil ourselves? Or are we going to be like Nigeria which exports crude oil but has frequent fuel shortages due to petrol and diesel being imported?
- 2) How are we going to deal with the environmental impact?
- 3) Natural gas was discovered near Lupane some years ago. Are there any moves to extract that gas?

**Ngqabutho Nicholas Mabhena  
General Secretary  
Zimbabwe Communist Party**

**On behalf of the ZCP Secretariat**

# THE CURRENCY QUESTION



## Solution to the Cash Crisis in Zimbabwe

by Colls Ndlovu

Pursuant to the adoption of the multi-currency system in Zimbabwe up to about 2015, one could withdraw up to US\$2,000 from an ATM. If one decided to withdraw over the counter (i.e. from the tellers), the limit was up to US\$10,000. That is how liquid the financial system was.

What then happened thereafter?

An ominous rumour about a new currency called a Bond Note surfaced and gained momentum. The rumour gained traction further and it was said that such a currency would rank *pari passu* [at par] with the US Dollar, at 1:1. This rumour started the process of capital flight, with consumers hoarding the US Dollar against the imminent dilution of their US Dollars.

Moreover, prior to the advent of the Bond Note, the Reserve Bank of Zimbabwe's (RBZ) capital reserves requirements that forced commercial banks to put aside US\$100 million in liquid assets was a death knell to the banking system in general and the economy in particular. Currently, Zimbabwe has the highest capital reserves requirements in Africa. Zimbabwean banks (small as they are and serving a very small population relative to their continental peers) are forced by regulatory authorities to put aside the biggest cash reserves.

To put this into context, Zimbabwean banks need to put aside more liquid assets (mostly cash), as a regulatory requirement, than their counterparts in South Africa, Egypt, Angola, Namibia and Kenya, among others. A Zimbabwean bank like CBZ must put aside US\$100 million as a reserve requirement (a dramatic increase from the previous figure of US\$12.5 million as at 2012). In contradistinction, a South African bank like Absa or Nedbank only has to put aside about US\$15 million. A Namibian bank only needs to put aside about US\$1.3 million, while a Zambian bank has to put aside US\$2.4 million with their respective central banks. This means that typically, US\$100 million belonging to a Zimbabwean bank is not ordinarily available to its depositors whenever they need it.

Such a huge and outsized figure is a sure way of draining liquidity out of any economy in general and a weaker one like Zimbabwe in particular. This amount of US\$100 million aside can be multiplied by the number of banks and you will see that this adds up to billions of liquidity. It is mind boggling how in such a small economy like the Zimbabwean one can require that each bank must put aside US\$100 million as a minimum when continental giants only require a small fraction of that figure.

It is clear that two phenomena caused the present cash shortage. These two causes being the introduction of bond notes and the regulatory requirement that Zimbabwean commercial banks must each put aside US\$100 million.

Ordinarily, there is nothing wrong with a country introducing its own currency. But Zimbabwe's circumstance is extraordinary. This is a country which printed its own money until its value depreciated to absolute zero through hyperinflation. University of Chicago's Professor Milton Friedman famously said: "Inflation is always and everywhere a monetary phenomenon caused by excessive printing of money." [ As Communists, we would add "Printing of money **not** backed by production." - Ed.] The reason why Zimbabwe's inflation rate had remained at about zero percent since dollarisation is that the monetary authorities could not print money.

The adverse effect of decreeing that the Bond Note should rank *pari passu* with the US Dollar is that the Bond Notes drove US Dollars and other concurrent currencies out of the Zimbabwean financial system thus causing an acute shortage of foreign currencies and the return of the dreaded black market.

Notwithstanding the RBZ's decree that the Bond Notes should exchange for one-to-one to the US Dollar, the market knows only too well that in real terms, a bond note is not worth the same as the US Dollar. Immediately after its introduction, we began to see a divergence in the valuation of the two currencies with the spread (i.e. difference) between their values widening exponentially over time.

By introducing the Bond Note at a fixed exchange rate of 1:1 to the US Dollar, the so-called Gresham's Law set in, that is to say, bad money driving out of circulation good money. Gresham's Law occurs when the exchange rate between two currencies is fixed. As circumstances change, currency movements occur due to market conditions, one currency will become over-valued (Bond Note) while the other becomes under-valued (US Dollar) because of this artificial fixing. The under-valued currency then disappears from circulation as the market tends to horde it and only use it for special transactions. Fixing the US Dollar at 1:1 to the Bond Note undoubtedly had the effect of under-valuing the US Dollar and the US Dollar disappeared from the financial system.

Against the backdrop of the foregoing, the question which arises is what can Zimbabwe do now?

Firstly, Zimbabwe must decide whether it keeps the Bond Note or it abolishes it. If Zimbabwe keeps the Bond Note as part of the multi-currency system then the value of the Bond Note must not be fixed at 1:1 to the US Dollar. Zimbabwe must remove the artificial fixing. Let the value of the Bond Note be determined by market forces.

Alternatively, Zimbabwe can outlaw the Bond Note altogether and take it out of the multi-currency system. Then consumers will be free to choose which currency they want. In that way, the US Dollar will not necessarily disappear.

Secondly, if Zimbabwe could use the South African Rand for all its pricing purposes and as a transactional currency. This is a straight forward thing to do and can be done tomorrow morning. The Rand is already a legal tender currency in Zimbabwe so there is no further consultation with anyone that is required. It is a matter of the Zimbabwean markets led by the government just pricing all their goods and services in Rands with immediate effect. This can be done within the multi-currency framework where US Dollar pricing simply gets replaced by Rand pricing.

Given the fact that South African banks are dominant in Zimbabwe, the provision of Rands and the synchronisation of Rand transactions would be seamless. The Zimbabwean diaspora in South Africa will also ensure a reliable, steady supply of Rands. Cross-border traders also will not suffer currency distortions.

Already the SADC-wide SIRESS system that is owned by all SADC central banks facilitates Rand transactions across the SADC region. Through the SIRESS system, a Rand transaction in Johannesburg is the same as a Rand transaction in Harare or Lusaka. It does not need to go via New York or Mongolia or London like before the adoption of the SIRESS system

In conclusion, therefore, Zimbabwe must simply outlaw the Bond Note or remove it from the multi-currency system. If Zimbabwe decides to keep the Bond Note, then its exchange rate must not be fixed to the US Dollar. It must be allowed to float so that its value is determined by market forces. This will ensure that the Bond Note also becomes an internationally tradable currency hence it will cease from being a domestic only currency.

If Zimbabwe wants to use the Rand, the country can start doing so with immediate effect. No further consultation is required. The SIRESS system is already in place to facilitate Rand transactions. The Rand can be used within the existing multi-currency system.

The abnormal regulatory requirement that Zimbabwean commercial banks should put aside US\$100 million is a counter-productive measure which must be urgently reversed to the pre-2012 levels. If these few measures are done, liquidity will return to the financial system. People will be able to withdraw from ATMs up to US\$2,000 while they can withdraw up to US\$10,000 from their tellers.

*Colls Ndlovu, is an economist formerly employed by the South African Reserve Bank. He was the winner of the bank's highest honour, the Governor's Gold Prize, in 2014.*



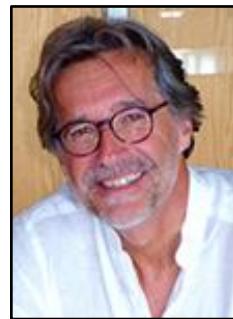
**Zimbabweans wait at an ATM. Often, after queuing for hours, they will be told. "There is no more cash."**

# ESAP'S FABLES

## by Richard Saunders (1996)

*First published in Southern Africa Report, Vol 11, No 4, July 1996.*

*Dr Richard Saunders is currently Associate Professor in the Department of Politics at York University, Toronto, Canada.*



**Zimbabwe's Economic Structural Adjustment Programme (ESAP), launched in 1990, was meant to herald a new era of modernised, competitive, export-led industrialisation. But despite a high-performing economy in its first decade of independence, the country now appears firmly lodged in a quagmire of mounting debt and erratic growth in the wake of five years of ESAP-mandated 'reforms'.**

In a short time, ESAP's World Bank-inspired 'reforms' has ripped into the existing economic and social infrastructure, shifting the focus of many mass-oriented development social programmes away from redistribution towards management of defined and limited, even declining, public resources. Now, as Zimbabweans await the unveiling of a follow-on, second five-year programme, rising popular displeasure with ESAP has brought pressure to bear on the government and its international backers for the re-evaluation of what has proven in practice to be a treacherous model of development.

When ESAP was first introduced, the government claimed it was the only alternative to continued production bottlenecks, stagnant local demand and a worsening unemployment problem that threatened to become politically troublesome. Zimbabwean industry was an easy convert, but the country's political leadership was less easily swayed. In the 1980s, Zimbabwe had been a star performer in Africa in the provision of social services and in the reconstruction and development of its public infrastructure. Average life expectancy was on the rise; childhood mortality was down, and other measuring sticks such as the literacy rate and the technical skills capacity were encouraging. Moreover, most of this social growth was financed by government without jeopardising relative macro-economic stability.

But from the mid-1980s the ruling party maintained that the future development of the country would depend upon the leading participation of the local private sector and capital inflows from overseas. So, it did not come as a shock when the first phases of ESAP were announced, starting with government's budget statement in July 1990. What did come as a surprise was the rapidity with which the programme undermined the relative stability of Zimbabwe's social economy.

Zimbabwe's adjustment programme contained the usual collection of Bank-inspired 'reforms' — trade and currency de-regulation, devaluation of the Zimbabwe dollar, movement towards high real interest rates, the lifting of price controls, chopping of "social spending" and removal of consumer subsidies. All were standard ingredients of 'liberalisation', as were the Bank's and IMF's increasing emphasis on reduction of the government deficit, civil service reform and shedding of public enterprises. And finally, there was the string of large loans and credit facilities from the Bank, the IMF and international donors, aimed at supporting the country's balance of payments and government's plans for substantial private sector infrastructural development. At the outset, it was estimated that roughly US\$3 billion over five years would be needed from overseas donors to make the 'reforms' work. Zimbabwe would spend its way into a new free market on borrowed money.

Government and its bankers said the new investment would be focused on modernising the manufacturing sector which would enable the country to compete in international markets and earn the hard currency needed to pay back ESAP's underpinning foreign loans. An optimistic target of 5% annual growth in GDP was set by the Bank and government.

Meanwhile, government fiscal restraint elsewhere, involving reduction in services, divestment of public corporations and layoffs in the government sector, would reduce the state's deficit from the usual 10% to 5% or less. The government admitted this risked higher unemployment and higher consumer prices in "the short term", but Zimbabweans were promised a rising real standard of living, long-term employment expansion and a modern, growing, internationally-competitive economy.

But in a country where local production was highly integrated and often efficient, and where a large state provided a range of quality social services, the 'reforms' represented more peril than promise for most.

## **An Experiment Gets Out of Control**

As it happened, neither the market reforms, nor the different measures that were meant to offset their effects on the most vulnerable, went according to plan. At the same time as parts of the Zimbabwean private sector displayed worrying signs of de-industrialisation, and the public debt spiralled upwards, the standard of living of most Zimbabweans was also plummeting to levels not seen in 25 years.

The initial economic shock treatment undertaken with ESAP's launch in the early 1990s hit the business sector and ordinary Zimbabweans very hard, and the impact of these measures was greatly exacerbated by the severe drought of the early 1990s. In 1992, after two consecutive poor rainy seasons, the economy contracted by at least 7.5%, with all sectors in Zimbabwe's agriculture-based productive sector affected. At the same time, price control relaxation saw inflation explode and consumer demand shrink, by as much as 30%.

One result was a sharp decline in average real wages. It was the beginning of a trend that would see, by the mid-1990s, average real earnings fall to the lowest levels since the early 1970s. ESAP, one study concluded, was quickly bringing the Zimbabwean working-class to the brink of widespread destitution. In the rural areas, the majority population was often forced to depend on government food aid. By the end of the drought in November 1992, more than half the population of the country was receiving some form of drought relief assistance from government.

However, the return of rains in 1993 did not improve the situation, making it clear that the ESAP reforms themselves were the leading factor in undermining ordinary people's standard of living. Loan agreements emanating from ESAP have stretched the country's foreign and domestic debt to unmanageable proportions. And ESAP's deficit-cutting fetish has led to the state's slashing of real per-capita social spending throughout the 1990s, and the marked undermining of local industry by government's greater — not smaller — role in one part of the private sector, financial markets. Forced to borrow heavily from local markets to finance reforms and service the deficit, government ended up distorting financial flows. Heavy public sector demand crowded-out private sector borrowing, and kept real interest rates punishingly high.

The combined outcome of chaotic fiscal policy and increased competition from imports is the development of a worrying pattern of de-industrialisation, amid a pattern of spiralling government deficit and debt.

## **Social Cuts and Their Consequences**

The primary response to the continued government deficit and climbing debt servicing was increased pressure to cut real spending on public services, including the cost of overall government administration itself. In this regard, it soon became clear that the fine attention to technical details which were part of the economic reform process was missing when it came to devising, implementing and reforming programmes involving the 'social' aspects of adjustment.

Moreover, there was a shift in emphasis in the re-design of the state's social programmes, away from a concern with issues of equity and access, towards a system of management driven primarily by the problem of how to administer the supply of services given defined, limited resources. The negative social and economic consequences of this shift were immediately and abundantly clear for ordinary Zimbabweans. Of particular note was the rapid deterioration in the country's acclaimed health and education sectors.

## **Health Care**

Public expenditure on health care declined by 39% in 1994-1995. This decrease implied diminished spending on common drugs, extension and preventative health services, specialist facilities and treatment, and other components of quality health care delivery. At the same time, the government's stricter enforcement of a user fees system erected barriers to health care in the way of poorer social groups who were, typically, those most in need of health services.

Worrying developments included a growth in perinatal mortality, accounted for by a variety of factors, including the increasing incidence of unbooked expectant mothers and "babies born before arrival", and decreased access to pre-natal consultancies, equipment, necessary facilities and, not least of all, drugs. A more widespread, essential problem involved diminishing drug supplies. Between 1988/89 and 1993/94, the real value of the national revolving drug fund, allocated to the agency that supplied approximately 80% of drugs dispensed to public and private health institutions, declined by 67%, resulting in shortages and the growing use of private channels to secure drugs and equipment.

In 1992 doctors and nurses began referring to "ESAP deaths", described as deaths caused by the inability of patients to pay for the minimal length of time in the hospital, or for prescription medicine. The Minister of Health, Dr Timothy Stamps has acknowledged that only one in ten Zimbabweans can afford to pay for their own health care. Yet fees remained in place, largely at the insistence of ESAP policy makers.

Meanwhile, accounts from rural clinics and hospitals have urgently noted the near collapse of health care services under the weight of cutbacks and imposed self-reliance. Professional morale and service delivery within the public health system has wilted. Many doctors, nurses and technicians have been tempted into the higher-paying, better equipped local private sector, or out-of-country altogether.

The inevitable result has been the rapid entrenchment of a two-tier health care system, in which those most in need and least able to pay have been increasingly marginalised from quality services.

## **Education**

The same contradictions between cost savings and rising social need have emerged to threaten the country's celebrated post-independence advances in primary and secondary education. In the primary sector in particular, real per capita spending and average spending per pupil fell to the lowest levels since independence.

While government's declining investment undermined the quality of education, its imposition of user fees effectively barred easy access to education for hundreds of thousands of students from poorer households. The overall result of fee imposition was a decline by as much as 5% in enrolments by children in urban primary schools, despite a growth in the potential school-going population.

Over time, the government has established a relief system and in 1995, government spent \$53 million helping 265,000 students with tuition and examination fees. But this still fell far short of the actual basic need and did not begin to address additional heavy school attendance expenses including school levies, materials, uniforms and other costly items.

And the economic benefit to government from the imposition of cost-sharing fees? In 1992-1993, educational charges raised only \$50 million — or 0.5% of budgeted government expenditure.

## (Anti-) Social Dimensions of Adjustment

To offset any negative impact of ESAP on poorer Zimbabwean households and retrenched public sector workers, government introduced the Social Development Fund (SDF) to assist poor households with school fees, health fees and food money subsidies. Retrenched civil servants were to be assisted with retraining and seed capital for entry into the private sector. But for the most part these new programmes were less carefully planned and implemented than other components of ESAP and were to prove largely ineffective in cushioning the impact of 'reform' on ordinary Zimbabweans.

The funds allotted to the SDF fell far short of matching the rate of government cuts in the social sectors of health and education. Spending cuts in the executing government agency hampered implementation of the SDF assistance. It was made the responsibility of potential beneficiaries to apply to the SDF for relief and there was considerable general confusion, even among government officials, as to what criteria qualified an applicant for assistance, and how screening should be carried out. Application paperwork was cumbersome, especially for the less educated who also tended to have less access to information on the programmes. Co-ordination among the different relief schemes, which evidently had an overlapping target clientele, was poor.

The result was that a small proportion of those who were eligible for assistance were reached with resources that were, in any event, insufficient to offset the impact of government cuts.

Continued reduced overall real spending by government now points to systematic and increasing shortfalls in social infrastructure investments. The one exception in this regard — large real growth in capital spending (much of it construction) — has been heavily dependent on donor injections of capital and has raised further questions about how government will manage to meet new recurrent expenditures in a period of public service retrenchments and declining recurrent spending. The seemingly apparent solution — that recurrent expenditure on the social sector could be increased in real terms — runs counter to ESAP's overriding policy objective, of continued and tightening budget restraint.

## Fallout and Fracturing

Promising rapid economic growth, expanding employment opportunities and a hands-off, efficient state, ESAP fell far short of its main macro-economic targets. In reality, growth slowed and became more erratic, averaging only 1.2% (not the 5% envisaged) over 1991-1994, a disappointing performance only partly due to the droughts of 1992 and 1995. In fact, a range of indicators reflect the entrenchment of deeper and systemic problems in the 'reformed' economy, including high inflation (which has stubbornly remained above 20%, averaging 28.8% in 1991-1994, instead of falling to the projected 10%) and a continued substantial government deficit (which has fluctuated around 10%, averaging 8.8% of GDP in the early 1990s, far above the 5% level anticipated by the World Bank in 1990).

Most Zimbabweans have experienced these changes in terms of employment and falling standards of living. The Zimbabwe Congress of Trade Unions (ZCTU) estimated that about 55,000 jobs were lost up to 1995 — about double the figure estimated by government. Real incomes for those still in the formal sector dropped sharply during ESAP (and they continue to fall), undermined by persistently high inflation and slow growth in most wage packets.

In the burgeoning informal sector of hawkers, small scale and backyard production, cross-border traders, street-kids, prostitutes and others, real incomes probably fell even more sharply. The public sector, too, has suffered unprecedented job losses and falling real salaries. About 22,000 public service employees have been retrenched, alongside large cutbacks in real recurrent expenditure on services. But though the state may be 'smaller' in terms of personnel, it is not necessarily more efficient.

Declining conditions of work and uncompetitive pay have chased many better-skilled public servants out of government, feeding a growing popular perception that government's main economic policy is being driven by "foreign experts". Among those who feel most threatened and disenfranchised by the new anti-social planning regime, and who are most critical of it, are trade unions and civic organisations. Public sector associations, in particular, have complained increasingly that corporate planning within government services is being imposed by the World Bank and IMF, without regard to the views or suggestions of those who actually work in the system

Foreign consultants and their agencies appear to have direct and largely hidden access to government decision-making processes. Some see evidence of this influence in the formulation and funding of government's latest coping 'social' programme, the Poverty Alleviation Action Plan, which will depend centrally on the input of several hundred million dollars and other support from the Bank and a collection of other donors. What does seem incontrovertible, is the augmented financial leverage afforded expatriate institutions — governmental, multilateral and private — in light of the growing fiscal crisis of the Zimbabwean state.

Moreover, foreign agencies have shown increasing willingness to respond with pressure when government's actions do not meet with their satisfaction. In May 1995, the IMF backed up its demands for further spending cuts by withholding balance of payments support credits. Later, other donors including the Bank were to follow suit. The cruellest irony of ESAP is perhaps that a policy which aimed to halve the government deficit and finance a higher short-term debt through expanded industrialisation, in reality ended by doubling the national debt, putting additional pressure on the government deficit and stunting an anticipated process of locally-driven re-industrialisation.

## **Response from the Grass Roots**

Ordinary Zimbabweans are sorely aware of this process of rapid national impoverisation — the most tangible outcome of the modernising 'experts' handiwork. And increasingly, Zimbabweans are making the links between ESAP, budget cuts and the decline in the national standard of living. Their responses to this deteriorating situation have come at different levels. On the one hand, there have been sporadic protests; on the other, there has been a growing institutionalised response from within civil society.

As early as 1993, the country experienced its first 'IMF' riots when the lifting of subsidies and decontrol of market prices sent the price of bread soaring 30%. A "bread boycott" by township consumers lasted more than two weeks, and saw running street battles between riot police, and women and youth. But though the standard price of bread dropped temporarily, the creeping power of the market ensued; and in January 1996 the price of bread was nearly double that which prompted rioting two years earlier. Other short-lived, often spontaneous protests over the negative market price effects of ESAP liberalisation have met with similar fates.

Trade unions have scrambled to maintain membership and bargaining strength in the face of hostile 'liberalisation' measures, while indigenous business lobbies have applied pressure for government assistance in the face of their members' decimation by tough market competition.

Meanwhile, the large majority of Zimbabweans have turned away from their weakened government and focused on their own survival, reliant on their own pocketbooks. If most households had sufficient income, this new order would not pose as much of a dilemma. The reality is that diminished household incomes hold little likelihood of recovery to pre-ESAP levels, for many years to come. While the state continues to borrow heavily to pay back swelling debt obligations, most Zimbabweans will be compelled increasingly to make savings of a more basic sort to sustain their lives — and those of the next generation.

# UNEMPLOYMENT

## LINKED TO TECHNOLOGY AND RESTRUCTURING

### The Case of South African Youth

by Alex Mashilo



**A radical political-economic policy change is required to resolve youth unemployment, a structural crisis within a systemic crisis.**

South Africa has a crisis of structurally high youth unemployment.

However, this is part and parcel of a wider problem of a persistently high systemic unemployment.

According to a Statistics South Africa (StatsSA) report entitled “Employment, Unemployment, Skills and Economic Growth: An Exploration of Household Survey Evidence on Skills Development and Unemployment between 1994 and 2014” (produced in 2016), South Africa’s official unemployment rate which excludes discouraged work seekers increased from 22% in 1994 to 25% twenty years later, that is in 2014, while the expanded unemployment rate which includes discouraged work seekers persistently remained 35%. The latest “Quarterly Labour Force Survey” (QLFS) released by StatsSA (on 30<sup>th</sup> October 2018) records an official unemployment rate of 27.5% for the third quarter (July-September) of 2018. What this means is that the official unemployment rate has increased by 2.5% since 2014. The survey records an expanded unemployment rate of 37.3% for the third quarter of 2018, meaning that there has been an increase of 2.3% in the expanded unemployment rate since 2014.

It is important to note that the figures are averages. There are provinces that are above the average figures. For example, the QLFS records the expanded unemployment rate for the third quarter of 2018 to be 46% in the Eastern Cape, 43.9% in the North West, 41.5% in Free State, 41.3 per cent in Mpumalanga, 41.2 per cent in KwaZulu-Natal, 40.1% in the Northern Cape and 38.1% in Limpopo. Gauteng and the Western Cape are the only provinces with a below average expanded unemployment rate at 34.3% and 23.7% respectively. The average national percentages for both the official and expanded unemployment rates indicate that, in total numerical terms, 6.2 million people are officially unemployed while 9.8 million people are unemployed in terms of the expanded definition of unemployment.

The expanded unemployment rate of the youth in the age category of 15 to 24 years was recorded to be 66.1%, while that of the youth in the age category of 25 to 34 years was recorded to be 43.3%. There is another important dimension of the unemployment crisis that should never be left out. That is the gender dimension. The QLFS records an expanded unemployment rate of 41.2% for women (compared to 37.3% for men) for the third quarter of 2018. It is important to note that the unemployment problem is socially deeper qualitatively than these figures tell us quantitatively.

There are people right in our families and country-wide who remain unemployed beyond the age of 35, in their 40s, and so on. *Capital: A critique of Political Economy* (Vol. I) by Karl Marx unpacks the phenomenon of unemployment according to its structural drivers (at the time he wrote the book) under capitalist production.

Marx brings to our attention three major categories of the phenomenon of the production of the unemployed, the industrial reserve army or the so-called surplus population.

**The first** is termed the latent. It is produced by increased penetration of mechanisation in agriculture. This leads to declining employment of the agricultural population. It compels those affected to pauperism, or to seeking alternative employment in non-agricultural industries. At the same time, it pressurises those still in employment to accept the minimum of wages. And, of those who seek alternative employment in non-agricultural industries, not everyone becomes successful. There, too, capital accumulation produces conditions that lead to the dismissal of workers affected by restructuring.

**The second** unemployment category, the floating, is made up of workers who are dismissed from non-agricultural sectors where automation and machinery enter as a factor. This category of workers is sometimes recalled from unemployment to employment but in constantly decreasing proportions.

**The third** unemployment category, the stagnant, is made up of workers who are affected by moderate to extreme irregular employment. In our modern-day society, this category comprises varyingly peripheralised and semi-peripheralised, casualised, temporarised, labour-brokered and other sections of workers in atypical or precarious employment conditions.

Therefore, beyond the narrow definition of unemployment, which is referred to as the official unemployment definition, the broader appreciation of unemployment should lead to the recognition that there are people in South Africa who reach a pension age consistently trapped in the various categories of unemployment respectively at one moment of another.

These three major categories of unemployment exist within and outside the periods of the inherent capitalist system crisis. They become acute during the cyclical periods of the systemic crisis. In many ways this is where South Africa finds itself at the moment both domestically and with regard to the surrounding global realities of capitalist production and wealth accumulation — in terms of which a handful of individuals, the capitalists, are very rich while the immense majority, the working-class, is generally poor and comprises an increasing number of the unemployed.

While Marx points to restructuring in production, in particular the increased application of science and technology, including machinery, automation and, in addition — in our era — robotisation of production, he carefully noted that the problem was not necessary with technology but the purpose for, and manner in which the change is employed under capitalist production. The fundamental problem is the private accumulation of wealth on a capitalist basis. In production this is driven by the logic of producing more output with fewer workers than at every moment — as a profit maximising strategy. In other words, production under capitalism is not meant to meet the needs of the people, it is not meant for the good of society but for the private enrichment of the capitalists.

It is clear that the Youth Employment Scheme — enforced from within government (against formations of the Progressive Youth Alliance) by the National Treasury — has failed to resolve the problem of youth unemployment. This failure highlights the structural nature of the high rate of youth unemployment as an integral part of the broader capitalist system economic crisis of the high rate of persisting unemployment. Structurally, the youth is bound to constitute an increasing majority of those who seek entry into the labour market, which is why it has a high unemployment rate as a function of the incapacity of the labour market to absorb new entrants.

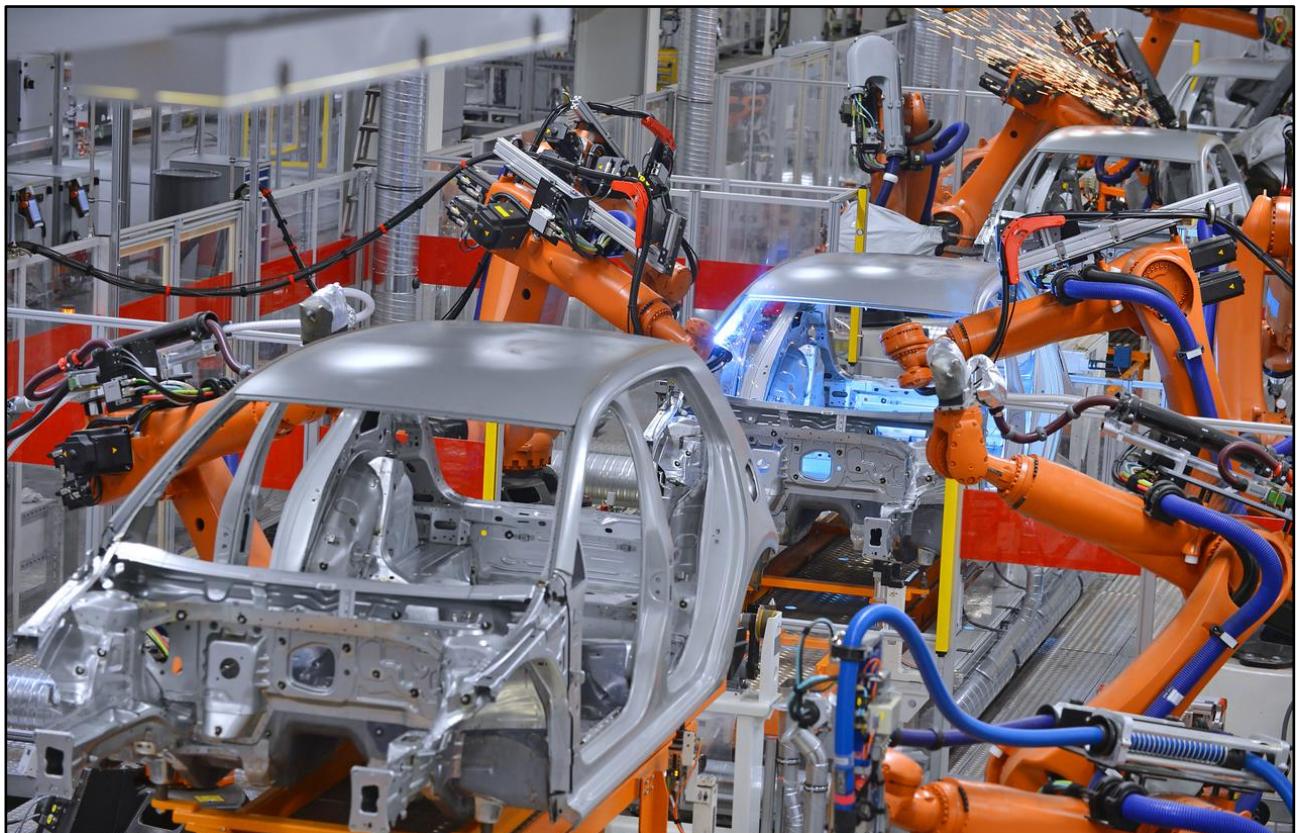
However, looked at dialectically from the point of view of the formerly presented unemployment categories, the labour market is shedding jobs through its contribution to the production of unemployment by means of restructuring, retrenchments, casualisation and perpetual temporarisation.

What South Africa needs are measures that tackle not only the symptoms but also the root causes of the problem in its systemic nature and structural character. In this regard, a joint, reconfigured Alliance, theoretical articulation and practical elaboration through adequate policy responses, of the content and strategic tasks of the second radical phase of national democratic revolution has a crucial role to play.

A reconfigured Alliance [Alliance = African National Congress (ANC) + South African Communist Party (SACP) + Congress of South African Trade Unions (COSATU)] requires, and should push, a radical reconfiguration of our national political-economic policy. It is inconceivable that the unemployment crisis that the youth, women and the unemployed people in general are faced with will be resolved by means of the same economic policy model that has not only created but continues to reproduce it, with the same structure of production and international trade, and with low levels of production.

The government, labour and business recently convened a jobs summit through the National Economic and Labour Council. The job summit was followed by an investment summit. South Africans can only hope that the outcomes of the two processes will contribute in providing the much needed relief among the ranks of the unemployed while a reconfigured Alliance — that is, a truly governing National Democratic Revolutionary Alliance considers measures to go to the root of the problem in order to resolve it radically on a sustainable basis and in a well-calculated strategic and programmatic manner.

*Comrade Alex Mashilo is National Spokesperson for the South African Communist Party. He holds a Master's Degree in Labour Policy and Globalisation. He has been a close friend of the Zimbabwe Communist Party since its inception.*



**Robots replace people in a modern car factory.**

# WHERE IS THE ECONOMY HEADED?

by Greg Godels

30<sup>th</sup> October 2018

*When Zimbabweans think about crisis, they normally think about the particularly acute crisis in Zimbabwe and the local conditions which contributed to that crisis. But even the USA, the country at the centre of the global capitalist system and consequently at the centre of global terror and destabilisation is itself facing crisis. Editor.*

Headlines such as *World Stocks Fall to Two-Year Low* that appears in today's (October 30) *Wall Street Journal* have many wondering if the tepid recovery from the 2007-2008 crash is finished. Since mid-Summer, the Shenzhen Composite, FTSE 100, Stoxx Europe 600, and other benchmark exchanges have steadily declined, with the US Standard and Poor's joining them over the last few weeks. As author Akane Otani notes: "After a punishing October, major indices in Europe, Japan, Shanghai, Hong Kong, Argentina, and Canada are languishing in correction territory — a drop of at least 10% from a recent high. The US is teetering on the edge of joining its peers..."

## The Stock Market Fetish

Like Gross Domestic Product (GDP) and the Unemployment Rate, composite equity performance is a limited measuring stick of the economy's health, though it is favored by popular mainstream pundits and celebrity economists. As such, all three become the grist for the bourgeois political mill. Invariably, they soon obscure more than they enlighten.

So what do the markets tell us?

In some parts of the world, they signal that stimulus programs have failed to revive stagnant economies (e.g. EU, Japan). Additionally, measures of manufacturing growth have declined for nearly every segment of the global market since the beginning of the year (emerging markets, EU, Japan, etc., *excepting* the US).

Last week's EU quarterly GDP figures confirm the European Union's persistent stagnation: the aggregate growth for the European Union's 19 members was a mere 0.6%, the lowest in 5 years.

For the US stock market, on the other hand, highs and lows are more intertwined with policy decisions, financial manipulation, and speculation. Thus, the market euphoria of the last few years did not reflect real economic fundamentals, and the current volatility does not foretell an imminent collapse. Instead, US stock exchanges have thrived on nearly free money and a Federal Reserve that removed all of the 'asset' flotsam and jetsam lingering in the wake of the 2007-2008 collapse. But the usual shakeout of less profitable, damaged firms was incomplete, thanks to the availability of money at interest rates suppressed by the central bank, the Federal Reserve. The low interest-rate environment was especially favorable to high-tech firms (slow to show sufficient revenue growth), emerging markets (hungry for low interest foreign loans), and small capitalization enterprises that should have sunk into oblivion because of investment unworthiness after the meltdown.

For the behemoths of monopoly capital, low interest rates in the wake of the crisis allowed for an orgy of mergers and acquisitions and stock buybacks that electrified equity markets without creating any socially useful results. In other words, the era of interest-free money buoyed up a leaking capitalist ship that predictably converted the gift into market 'value' and profit.

Wiser heads in the Federal Reserve understood that if it continued to be a wet nurse for mature capitalist enterprises, asset inflation would continue unabated. Investors would wake up and see that there was no 'there' there and punch a hole in the market bubble.

Consequently, the Fed began a program of gradual interest-rate increases to slow the promiscuous borrowing that was fueling asset inflation. Industries like Technology, Finance, and Communication were particularly vulnerable to this program since their earnings growth stood well beyond their more modest growth of revenue.

Nothing shows the weakness of the overheated market more than the Initial Public Offerings (IPOs) — the first stock offerings of newly public companies. So far in 2018, fully 83% of IPOs have been conducted for companies that have lost money in the last 12 months, a figure greater than that leading to the dot-com crisis year of 2000.

It is no wonder that the Federal Reserve, fearing an asset bubble, has put the brakes on. And it is no wonder that capitalists are caught between the responsibility of managing capitalism as a system and the ecstasy of operating with free money, the contradiction between systemic discipline and unrestrained accumulation.

## Leading Indicators?

But if the stock market is a not-so-reliable guide to the health of the US economy, what are more reliable markers?

On the surface, the US economy is uniquely healthy in the midst of global stagnation or decline. The television hawkers of economic news herald the GDP growth rate in the second (4.2%) and third (3.5%) quarters of this year, numbers well above the post-crash averages. Similarly, the pundits are in awe of the officially reported low unemployment level. And they point to the less impressive, but welcome growth of wages in recent months as further evidence of a vibrant economy. They are less forthcoming — embarrassed, perhaps — about the explosion of already robust earnings (profits) in 2018.

Likely, this photo-shopped picture of the US economy will benefit Trump and his candidates in the elections. The warm and fuzzy picture is conveyed by the so-called leading indicators. But if we open the hood and look more closely at the capitalist economic engine, we get a somewhat different picture.

Behind the 2018 GDP growth are several contingent factors, including the Trump tax cut. But unacknowledged by many is the increase of government spending, largely military. Nearly half of the year-to-year growth-rate increase through April was accounted for by government spending alone, two-thirds of which was directly for the military. The bipartisan endorsement of an obscene military budget pumps up Trump-era growth as it has for many previous Presidents (remember Reagan?).

Fully 1.22 points were added to the 4.2% 2nd-quarter growth solely from global trade, the overseas purchase of US products like soybeans before the onset of the Chinese retaliatory tariffs.

And third-quarter GDP growth was equally a result of consumer spending (highest growth since 2014) and the aforementioned growth in government spending.

Despite the hollow celebration of rising wages, the aggregate numbers mask an important reality: Labor Department figures show that the greatest growth in weekly earnings accrue to the bottom 10% of earners (+5%) and the top 10% (+3+%), while 80% of US workers now see their incomes grow at a level only marginally above their cost of living.

While growth in income for the bottom 10% is welcome, it results only from the tight labor market in low-paying jobs, the largest source of job growth since the crash. The pressure on that segment underscores the hollowness of the employment recovery.

The US capitalist ‘recovery’ has relied on the availability of low-wage labor. The collapse of 2007-2008 generated a veritable “reserve army of unemployed” willing to accept low-paying jobs, absent union militancy. Consequently, the capitalists have felt no need to invest in productivity-enhancing equipment — it is cheaper to hire minimum-wage workers than invest in new machinery. Therefore, the last decade has experienced tepid growth in labor productivity demonstrated by 32 straight quarters (8 years!) of sub-2% productivity growth, but strong profitability, unprecedented in the post-World War II era.

Most of the growth in consumer spending is fueled, not by workers' pay, but by additional borrowing and more people working more hours. US household debt hit a new high in the 2nd quarter; debt continues to rise faster than income for the average US citizen.

## Fundamentals

Contrary to the promises of the Trump Administration, the deep cut in corporate taxes along with the 21% increase in profits in the 3rd quarter have produced little increase in business investment. Growth in business investment was a mere 1% in both August and September.

A key measure of core industrial production — durable-goods orders excluding military orders — declined 0.6% in September.

Retail spending — a core element of consumer spending — rose by only 0.1% in both August and September.

Two other critical components of consumer spending — auto sales and home sales — are flashing danger. Auto sales declined steeply by 6% in September, after a mostly sluggish year.

And home sales, a huge element in the US economy has tanked. New-home sales declined in September by 5.5%, the slowest rate in 2 years, and the latest month of a four-month slide.

Existing-home sales, a far bigger part of the housing market, declined by 3.4% in September, the latest month of a seven-month slide!

## What to Expect

While it is true that Trump has been somewhat corralled into being a conventional right-wing Republican, but with his own uniquely vulgar and infantile stamp on the Presidency, he retains unconventional elements of populist nationalism — the tacit confession that the empire is in trouble and the need to "Make America Great Again." Both stances play into Trump's economic policy in unusual and contradictory ways.

Like archetypical right-wing President Reagan, tax-cutting and deregulation drives a *Corporation Über Alles* approach.

Like Reagan, the current Administration uses defense spending as the central stimulus for the economy. Since such a policy needs powerful enemies, the two parties have collaborated to concoct Russia and China as the countries to play the role of bitter enemies. The threat of war against China and/or Russia justifies far more spending and weapons sales than a war against Islamists in sandals or weak countries with ancient Soviet equipment.

Trump's nationalism rejects alliances, pacts, and submission to international constraints, regulation, or authority. Instead, it embraces the economics of sanctions and tariffs; it substitutes the blatant behavior of a bully for the formerly fostered notion of global cooperation. If other countries deny US hegemony, the US will demonstrate it forcefully.

To the chagrin of the Democrats, the popular perception of the booming US economy has calmed corporate fears of Trump's recklessness and emboldened Trump's advisors and supporters.

But behind the appearance of economic exuberance is an economic engine running out of gas: key fundamental markers for consumption and investment are slackening, profits are threatened, and major political stumbling blocks lie ahead.

Despite record-breaking profits, compensation costs for capitalist enterprises are eating into those profits. The low unemployment rate has spurred an intense competition for workers. With fewer unemployed available, firms are offering higher wages, salaries, and benefits to wrest employees from other firms.

Further, the rising interest-rate environment is tacking on additional borrowing costs to overall costs, cutting into corporate margins.

And the relatively slow corporate-revenue growth, especially in Technology and Communication, is squeezing profits as well.

The explosive growth of Federal debt further challenges the Trump economy, though only for those wedded to conventional economic dogma. Because of the tax cuts, the deficit expanded by 17% in the fiscal year ending in September to the highest level in 6 years. With rising interest rates, deficit growth will only accelerate. The debt scolds in both parties will be screaming in chorus for budget cuts and spending limits (as they did so often during the Obama Administration). Of course, they will argue for the cuts to come from programs and institutions that serve the people. The scourge of austerity will descend again over the economy, producing the readily predictable result of damped growth.

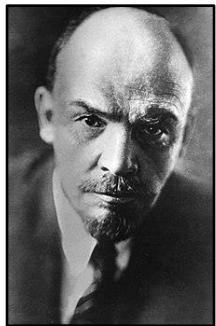
The Trump Administration is battling the Federal Reserve over the issue of interest rates. The Fed is attempting to raise interest rates to take the oxygen out of the economy and evade speculative bubbles. Trump, on the other hand, wants low rates to pump oxygen into the economy to secure the continued growth that he has promised. Neither approach will save the economy from the turmoil ahead.

Next year will bring stagnation, if not economic decline, for the global as well as the US economy. Inevitably, capitalism will attempt to place the burden of the system's failure onto the backs of working people. It will sell austerity as the palliative for that failure, another sign of the bankruptcy of the system.

Some will fight to fix the capitalist system, to reform it. Others will struggle to replace it. The goals should not be confused. They are different projects. Only one can promise a humane, peaceful, and sustainable world.

*Greg Godels is a US communist journalist better known by his pen-name, Zoltan Zigedy. This article is taken from "ZZ's blog". He writes extensively for the excellent MLToday.com website.*





## THE CAPITALISTS CONCEAL THEIR PROFITS by V.I. Lenin CONCERNING THE ISSUE OF CONTROL

How much they talk about control! And how little it all means. How they dodge the issue by resorting to general phrases, grandiloquent turns of speech, and solemn 'projects' doomed for ever to remain projects only.

Now the issue is that unless commercial and bank secrecy is abolished, and unless a law is immediately passed making the books of commercial firms open to the trade unions, all phrases on control and all projects for it will be so much meaningless verbiage.

Here is a small but instructive illustration. A comrade who is a bank employee has sent us the following information showing how profits are concealed in official reports. On 7<sup>th</sup> May 1917, *Vestnik Finansov* [Finance Messenger] No. 18 published a report of the Petrograd Loan and Discount Bank. The report gives the bank's net profit as 12,960,000 roubles. On closer scrutiny, a well-informed person will see at once that that is **not the whole profit at all** and that a considerable part of the profit is cleverly concealed under other items, so that no 'tax', 'compulsory loan' and, in general, no financial measure will ever bring it out unless commercial and bank secrecy is completely abolished. Indeed, the amount of 5,500,000 roubles is given as reserve capital. Profits are quite often entered for concealment as so-called reserves, or reserve capital.

If I am a millionaire who has made a profit of 17,000,000 roubles and wants to reserve 5,000,000, I only have to enter this 5,000,000 as 'reserve capital'" to do the trick!

In this way I dodge all the various laws on 'state control', 'state taxation of profits' and so on. Again, the report indicates 825,000 roubles as money made in interest and commissions.

"The question is," writes the bank employee, "what are the sums that generally constitute the bank's profit, since the money made in interest is not listed under profits???"

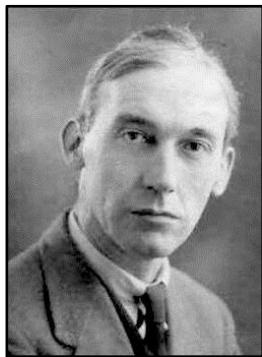
Moreover, the sum of 300,000 roubles, listed as remaining profit made in previous years, is not included in the total profits!

Together, then, with the foregoing item, we have more than another sweet million in profit hidden away. Similarly, the sum of 224,000 roubles of "unpaid dividends to shareholders" is missing in the total profit, although everyone knows that dividends are paid out of net profits. Furthermore, the report lists the sum of 3,800,000 roubles as 'carry-overs'.

"Whoever has not taken a direct part in the business will find it hard to establish what these carryovers are," the comrade writes. "One thing is certain: in preparing a report, one can easily conceal a part of the profit by listing it under 'carry-overs' and then transferring it to 'where it belongs'." To sum up. The profit has been listed as 13,000,000 roubles, but, in point of fact, it must be somewhere between 19 and 24 million, or almost 80% profit on a basic capital of 30 million.

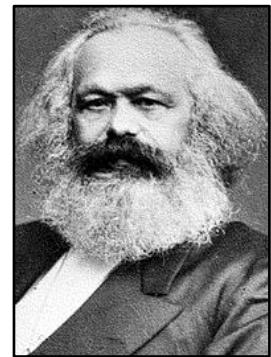
Isn't it obvious that the government's threats to the capitalists, the government's promises to the workers, the government's bills and laws aimed at taking 90% of the profits of the big capitalists are useless, absolutely useless, as long as there is commercial and bank secrecy?

**From *Pravda*, 29<sup>th</sup> June 1917 (Old Style). Written 4 months before the Bolshevik Revolution.  
LCW Vol. 25 p.140**



Emile Burns

## HOW CAPITALISM WORKS



Karl Marx

*This is a slightly modified extract from Chapter III, Capitalist Society, of the booklet What is Marxism? written by British Communist, Emile Burns. First published in 1939, it is a good introduction for those who find the language of Marx, Engels and Lenin difficult to understand. This piece explains the origin of value and of surplus-value and exploitation.*

Production for profit requires two things: someone with enough resources to buy the means of production (factories, machinery, transport and so on); and, secondly, people who have no means of production themselves, no resources which by using they could live. In other words, there have to be **capitalists** who own the **means of production**, and **workers** whose only chance of getting a livelihood is to work the machines owned by the capitalists.

The workers produce things, not directly for themselves or even for the personal use of the capitalist, but for the capitalist to sell for money. Things made in this way are called **commodities** — that is, articles produced for sale on the market. The worker receives **wages**, the employer receives **profit** — something that was left after the consumer had paid for the articles, and after the capitalist had paid wages, the cost of raw materials and other costs of production.

What is the source of this profit?

Marx points out that it could not possibly come from the capitalists selling the products above their value — this would mean that all capitalists are all the time cheating each other, and where one makes a ‘profit’ of this kind the other necessarily makes a loss. The profits and losses would cancel each other out, leaving no general profit. It therefore followed that the value of an article on the market must already contain the profit: **the profit must arise in the course of production, and not in the sale of the product.**

The enquiry must therefore lead to an examination of the **process of production**, to see whether there is some factor in production which adds value greater than its cost (its own value).

But first it is necessary to ask what is meant by **value**. In ordinary language, value can have two quite distinct meanings. It may mean value for use by someone — a thirsty man ‘values’ a drink; a particular thing, may have a “sentimental value” for someone. But there is also another meaning in ordinary use — the value of a thing when sold on the market, by any seller to any buyer, which is what is known as its **exchange value**.

Now it is true that, even in a capitalist system, particular things may be produced for particular buyers and a special price arranged; but what Marx was concerned with was normal capitalist production — the system under which millions of tons of products of all kinds are being produced for the market in general, for any buyer that can be found.

What gives products their normal “exchange value” on the market?

Why, for example, has a yard of cloth more exchange value than a pin?

**Exchange value** is measured in terms of money; an article is ‘worth’ a certain amount of money.

But what makes it possible for things to be compared with each other in value, whether through money or for direct exchange?

Marx pointed out that things can only be compared in this way if there is something common to all of them, of which some have more and some less, so that a comparison is possible. This common factor is obviously not weight or colour or any other physical property; nor is it **use value** for human life — necessary foods have far less exchange value than motor cars — or any other abstraction. There is only one factor common to all products — **they are produced by human labour.**

A thing has greater exchange value if more human labour has been put into its production; exchange value is determined by the “labour-time” spent on each article.

But, of course, not the individual labour-time. When things are bought and sold on a general market, their exchange value as individual products is averaged out, and the exchange value of any particular yard of cloth of a certain weight and quality is determined by the **average socially necessary labour-time** required for its production.

If this is the general basis for the exchange value of things produced under capitalism, what determines the amount of wages paid to the actual producer, the worker?

Marx put the question in precisely the same way:

What is the common factor between things produced under capitalism and **labour-power** under capitalism, which we know also has an exchange value on the market?

There is no such factor other than the factor which we have already seen determines the exchange value of ordinary products — the **labour-time** spent in producing them!

What is meant by the labour-time spent in producing labour-power?

It is the time (the average “socially necessary” time) spent in producing the food, shelter, warmth and other things which keep the worker from week to week. In normal capitalist society, the things necessary to maintain the family of the worker have also to be taken into account. The labour-time necessary for producing all these things determines the exchange value of the worker’s labour-power, which he sells to the capitalist for wages.

But while, in modern capitalist society, the time spent in maintaining the worker’s labour-power may be only four hours a day, his power to labour lasts eight, ten or more hours a day. For the first four hours each day, therefore, his actual labour is producing the equivalent of what is paid to him in wages; for the remaining hours of his working day he is producing **surplus value** which his employer appropriates. This is the source of capitalist profit — the value produced by the worker over and above the value of his own keep — that is, the wages he receives.

The brief statement of Marx’s analysis of value and surplus value needs to be made more exact in many ways, and there is not space to cover every variation. But a few of the general points can be indicated.

The term “exchange value” has been used, because this is the basis of the whole analysis. But in actual life things hardly ever sell at precisely their exchange value. Whether material products or human labour power, they are bought and sold on the market at a **price**, which may be either **above** or **below** the correct **exchange value**. There may be a **surplus** of the particular product on the market, and the price that day may be far below the correct exchange value; or, if there is a shortage, the price may rise above the value. These fluctuations in price are, in fact, influenced by **supply and demand**, and this led many capitalist economists to think that **supply and demand was the sole factor in price**. But it is clear that supply and demand only cause fluctuations about a definite level.

What that level is, whether it is one penny or a hundred pounds, is clearly not determined by supply and demand, but by the labour-time used in producing the article.

The actual price of labour-power — the actual wages paid — is also influenced by supply and demand; but it is influenced by other factors as well — **the strength of trade union organisation** in particular. Nevertheless, the price of labour-power in ordinary capitalist society always fluctuates around a definite level — the equivalent of the worker's keep, taking into account that the various grades and groups of workers have varying needs, which are themselves **largely the result of previous trade union struggles** establishing a standard above the lowest minimum standard for existence.

The labour-power of different grades of workers is not, of course, identical in value; an hour's work of a skilled engineer produces more value than an hour's work of an unskilled labourer. Marx showed that such differences were in fact accounted for when articles were sold on the market, which, as he put it, recorded a definite relation between what the more skilled worker made in an hour and what the labourer made in an hour.

How does this difference in value come about?

Marx answers: not on any 'principle' that skill is ethically better than lack of skill or any other abstract notion. The fact that a skilled worker's labour-power has more exchange value than the labourer's is due to exactly the same factor that makes a steamship more valuable than a rowing-boat — more human labour has gone to the making of it. The whole process of training the skilled worker, besides the higher standard of living which is essential for the maintenance of his skill, involves more labour-time.

Another point to note is that if the intensity of labour is increased beyond what was the previous average, this is equivalent to a longer labour-time; eight hours of intensified labour may produce values equivalent to ten or twelve hours of what was previously normal labour.

What is the importance of the analysis made by Marx to show the source of profit?

It is that it explains the class struggle of the capitalist period. In each factory or other enterprise the wages paid to the workers are not the equivalent of the full value they produce, but only equal to about half this value, or even less. The rest of the value produced by the worker during his working day (i.e. after he has produced the equivalent of his wages) is taken outright by his employer.

The employer is therefore constantly trying to increase the amount taken from the worker. He can do this in several ways: for example, by reducing the worker's wages; this means that the worker works a less proportion of the day for himself, and a greater proportion for the employer. The same result is achieved by "speeding up" or intensifying the labour — the worker produces his keep in a smaller proportion of the working day, and works a larger proportion for his employer. The same result, again, is achieved by lengthening the working day, which increases the proportion of the working day spent in working for the employer. On the other hand, the worker fights to improve his own position by demanding higher wages and shorter hours and by resisting "speeding up."

Hence the continuous struggle between the capitalists and the workers, which can never end so long as the capitalist system of production lasts. This struggle, starting on the basis of the individual worker or group of workers fighting an individual employer, gradually widens out. Trade union organisation on the one hand, and employers' organisation on the other, bring great sections of each class into action against each other.

Finally, political organisations of the workers are built up, which as they extend can bring all industrial groups and other sections of the people into action against the capitalist class. In its highest form, this struggle becomes revolution — the overthrow of the capitalist class and the establishment of a new system of production in which the workers do not work part of the day for the benefit of another class.

The essential thing to note is that the class struggle under capitalism is due to the character of capitalist production itself — the antagonistic interests of the two classes, which continually clash in the process of production.

Having analysed wages and profits, we now pass to the study of capital. First it must be noted that the “surplus value” created by the worker in the course of production is not all kept by his employer. It is, so to speak, a fund from which different capitalist groups take their pickings — the landowner takes rent, the banker takes interest, the middleman takes his “merchant’s profit”, and the actual industrial employer only gets what is left as his own profit. This in no way affects the preceding analysis; it only means that all these capitalist sections are, as it were, carrying on a certain subsidiary struggle among themselves for the division of the spoils. But they are all united in wanting to get the utmost possible out of the working-class.

What is capital?

It has many physical forms: machinery, buildings, raw materials, fuel and other things required for production; it is also money used to pay wages for production.

Yet not all machinery, buildings and so on, and not even all sums of money are capital. For example, a peasant on the west coast of Ireland may have some sort of building to live in, with a few yards of ground round it; he may have some livestock, and a boat of some sort; he may even have some little sum of money. But if he is his own master and nobody else’s none of his property is capital.

Property (whatever the physical form) only becomes capital in the economic sense when it is used to produce surplus value; that it, when it is used to employ workers, who in the course of producing things also produce surplus value.

What is the origin of such capital?

Looking back through history, **the early accumulation of capital was very largely open robbery**. Vast quantities of capital in the form of gold and other costly things were looted by adventurers from America, India and Africa. But this was not the only way in which capital came into being through robbery. In Britain itself, the whole series of “Enclosure Acts” stole the common lands for the benefit of the capitalist farmers. And in doing so, they deprived the peasantry of their means of living, and thus turned them into proletarians — workers with no possibility of living except by working the land taken from them for the benefit of the new owner. Marx shows that this is the real origin of capital — **primitive accumulation** — and not the legend of abstemious men who ‘saved’ from their meagre living, which he ridicules in the following passage:

**“This primitive accumulation plays in Political Economy about the same part as original sin in theology. Adam bit the apple, and thereupon sin fell on the human race... In times long gone by there were two sorts of people; one the diligent, intelligent and, above all, frugal elite; the other, lazy rascals, spending their substance, and more, in riotous living... Thus it came to pass that the former sort accumulated wealth, and the latter sort had at last nothing to sell except their own skins. And from this original sin dates the poverty of the great majority, that, despite all its labour, has up to now nothing to sell but itself, and the wealth of the few that increases constantly although they have long ceased to work.”**

Karl Marx, Capital Volume 1, Chapter XXVI. (1867) MECW Vol,35 pp.704-705

But capital does not remain at the level of primitive accumulation; it has increased at an enormous rate. Even if the original capital was the product of direct robbery, what is the source of the additional capital piled up since that period?

Indirect robbery, Marx answers.

Making the worker work more hours than is necessary for his keep, and appropriating the value of what he makes in those extra hours of work — the “surplus value.” The capitalist uses a part of this surplus value for his own maintenance; the balance is used as new capital — that is to say, he adds it to his previous capital, and is thus able to employ more workers and take more surplus value in the next turnover of production, which in turn means more capital — and so on **ad infinitum**.

Or, rather, it would go on to infinity but for the fact that other economic and social laws come into play. In the long run, the most important obstacle is the class struggle, which from time to time hinders the whole process and eventually ends it altogether by ending capitalist production. But there are many other obstacles to the smooth course of capitalist development, which also arise out of the nature of capitalism.

Economic crises occur which check the expansion of capital, and even lead to the destruction of part of the capital accumulated in previous years.

**“In these crises,”** Marx says **“there broke out an epidemic that, in all earlier epochs, would have seemed an absurdity — the epidemic of over-production.”**

Karl Marx and Frederick Engels, *The Manifesto of the Communist Party* Ch.1 (1848)  
MECW Vol.6 pp.489-490

In feudal society, a bumper wheat harvest would have meant more food for everyone; in capitalist society, it may mean starvation for workers thrown out of employment because the wheat cannot be sold, and therefore less wheat is sown next year.

The features of capitalist crises are now only too familiar: there is over-production, therefore new production declines and workers are unemployed; their unemployment means a further decline in the market demand, so more factories slow down production; new factories are not put up, and some are even destroyed (shipyards on the north-east coast or cotton spindles and looms in Lancashire); wheat and other products are destroyed, though the unemployed and their families suffer hunger and illness. It is a madman’s world; but at last the stocks are used up or destroyed, production begins to increase, trade develops, there is more employment — and there is steady recovery for a year or two, leading to an apparently boundless expansion of production; until suddenly once more there is over-production and crisis, and the whole process begins again.

What is the cause of these crises?

Marx answers: it is a law of capitalist production that each block of capital strives to expand — to make more profit, and therefore to produce and sell more products. The more capital, the more production. But at the same time, the more capital, the less labour-power employed: machinery takes the place of men (what we know now as ‘rationalisation’ of industry). In other words, the more capital, the more production and the less wages, therefore the less demand for the products made. (It should perhaps be made clear that it need not be an **absolute** fall in total wages; usually the crisis comes from a relative fall, that is, total wages may actually increase in a boom, but they increase less than total production, so that demand falls behind output).

This disproportion between the expansion of capital and the relative stagnation of the workers’ demand is the ultimate cause of crises.

Then there is another most important factor in the development of capitalism — competition. Like all other factors in capitalist production, it has two contradictory results. On the one hand, because of competition to win larger sales of products, each capitalist enterprise is constantly trying to reduce production costs, especially by saving wages — through direct wage reductions or by speeding-up or other forms of ‘rationalisation’. On the other hand, those enterprises which succeed in getting enough capital to improve their technique and produce with less labour are thereby contributing to the general process described above — the reduction of demand owing to the total wages paid out being reduced.

Nevertheless, the enterprise which improves its technique makes a higher rate of profit for a time — until its competitors follow suit and also produce with less labour. But not all its competitors can follow suit. As the average concern gets larger and larger, greater amounts of capital are needed to modernise a plant, and the number of companies that can keep up the pace grows smaller. The other concerns on to the wall — they become bankrupt and are either taken over by their bigger competitors or are closed down altogether. “One capitalist kills many.”

Thus in each branch of industry the number of separate concerns is steadily reduced: big trusts appear, which more or less dominate a particular field of industry.

Thus out of capitalist competition comes its opposite — capitalist monopoly.





On 28<sup>th</sup> October 2018, the world received the shocking news of the electoral victory of the extreme populist reactionary, Jair Bolsonaro, as President of the Federative Republic of Brazil.

Since 1<sup>st</sup> January 2003, Brazil has been governed by the *Partido dos Trabalhadores* (PT) [Portuguese: Workers' Party]. Especially under the first PT President, Luiz Inácio Lula da Silva, commonly known simply as 'Lula', Brazil made huge strides both in the building of the economy and the reduction of poverty.

Two main problems led to the downfall of this progressive government.

- 1) The growth of corruption within the PT after it became the governing party (as we have also seen with African liberation movements after **they** transformed themselves into governing parties).
- 2) Acceptance of the liberal lie that the state machinery is neutral. In Brazil, the judicial machine, the police and the media were used by the rich and powerful (the oligarchs) to bring down the government and manipulate the system.

Brazil is the biggest country in Latin America in both area and population. In the world, it is the fifth biggest in both area and population with more than 208 million people. It is also the world's eighth largest economy.

Brazil became independent from Portugal in 1822 and is the only Portuguese-speaking country in South and Central America, most of the other countries in the region speak Spanish. From 1964 until 1985, Brazil was under a cruel military dictatorship. The military government was followed by a 'democratic' government which still maintained the interests of the powerful and ruthless capitalist oligarchy until 2002.

Brazil is a country with many living in extreme poverty while the oligarchs own great wealth and are untouchable by the law. Many people live in the favelas, the shanty towns often built on the sides of the mountains surrounding the big cities; criminal activity occurs on a wide scale due to the wealth disparity and the conditions people are forced to live under.

Hyper-inflation has occurred a number of times in Brazil, however the economy was stabilised under President Cardoso between 1994 and 2002, using neo-liberal methods linked to a "human rights" programme. However this stabilisation did not assist the majority of Brazilians and in 2002, the election was won by Luiz Inácio Lula da Silva — President Lula. He assumed office on 1<sup>st</sup> January 2003.

President Lula at the head of the Workers' Party (PT) and in coalition with the Communist Party of Brazil (PCdoB) and some smaller parties, rebuilt the economy, re-nationalising industries which had been privatised under Cardoso. Under his leadership, some 36 million people were lifted out of poverty and another 40 million joined the middle class. Strict conservancy measures were put in place and also laws to protect the indigenous people, especially in the Amazon rain forest and also protection for the badly treated workers on the cattle ranches. Lula served two four year terms, being re-elected in 2006 and leaving office at the end of 2011.



Luiz Ignácio Lula da Silva,  
President of Brazil  
2003-2011

Lula was succeeded by Dilma Rousseff, a former guerrilla fighter against the military government of 1964-1985 who had suffered imprisonment and prolonged torture during that period.

Dilma, as she is known in Brazil, was a very efficient Minister of Energy under Lula and also served as his Chief-of Staff within the government. She was elected in 2010, taking office on 1<sup>st</sup> January 2011.

Unfortunately, the commodity prices which had assisted Lula in his social programmes began to slip and the Workers' Party was trapped into making deals with some of the numerous other parties and with sections of capital in order to remain in power. Severe inflation set in and Dilma Rousseff lost popularity, although she was re-elected in 2014 with a narrow majority.

The PT in 2011 went into coalition with the large but opportunist Brazilian Democratic Movement (PMDB) [Portuguese: *Partido do Movimento Democrático Brasileiro*] led by Michel Temer who became Vice-President under Dilma Rousseff.



**Michel Temer, Acting President of Brazil from August 2016**

There were a number of corruption scandals, the biggest involved Petrobras, the Brazilian oil company which had been nationalised by President Lula. Petrobras gave out a large number of contracts at inflated prices and PT politicians were involved in a number of these. Petrobras was further linked to the money-laundering "Car-Wash Scandal".

Dilma Rousseff was impeached by the Brazilian senate and removed from office following the Petrobras scandal, although there is **no direct evidence** linking her to the corruption. Michael Temer, her Vice-President took over as President of Brazil on 31<sup>st</sup> August 2016. At that time there was a media campaign co-ordinated by the oligarchs assisted by the CIA.

What is more, there is good reason to believe that one reason for her impeachment is that politicians opposed to the Workers' Party were also involved in the corruption and did not want further investigation. In fact one of the first actions of Michael Temer as Acting President was to remove restrictions on the cutting down of the Amazon rain forest by the PT government, thus the most vile and corrupt have now been given free reign to destroy the rain forest, the bio-diversity and the indigenous people who have lived in the forest for thousands of years. Most importantly, the destruction of the rain forest is a major cause of global warming. It affects the whole world.

In March 2016, Lula's home was raided by police who were trying to connect him to the Petrobras scandal and in September 2016 he was arrested on corruption charges, but with little evidence. In July 2017, Lula was convicted on corruption charges and sentenced to 9½ years in prison. He remained outside of prison while the appeal was being heard. On 25<sup>th</sup> January 2018 the Appeal Court found Lula guilty of corruption and money laundering and increased his sentence to 12 years imprisonment. On 26<sup>th</sup> March 2018 the Supreme Federal Tribunal of Brazil upheld the sentence of the Appeal Court. On 5<sup>th</sup> April 2018, Brazil's Supreme Federal Court ruled that Lula must begin serving the sentence relating to the 12<sup>th</sup> July 2017 judgment, despite not having exhausted all of his rights to appeal. Lula and his political party vowed to continue his campaign from prison following the court's decision that he must surrender himself by 6<sup>th</sup> April 2018. The head of Brazil's army, General Eduardo Villas Boas, called for Lula to be placed behind bars. Lula turned himself in on the following day, 7<sup>th</sup> April 2018. After the imprisonment of Lula, protesters took to the streets in cities across Brazil, creating the "Free Lula" movement.

After the Brazilian Federal Supreme Court refused to consider alleged violations of fundamental human rights by Judge Sergio Moro, Lula's defence lawyers decided to appeal to the United Nations Human Rights Committee. In the lawsuit, the lawyers requested that the Committee provide an opinion on the accusations that Moro violated Lula's right to privacy, his right to not be arbitrarily arrested and his right to the presumption of innocence until proven guilty.



**Dilma Vana Rousseff**  
**President of Brazil**  
**2011-2016**

They presented as proof of abusive practices:

1. Coercive conduct against Lula on 4<sup>th</sup> March 2016.
2. The leaking of confidential data to the press.
3. The leaking of illegally obtained phone conversation recordings to the press.
4. An abusive strategy of temporary and pre-emptive imprisonments in order to obtain plea-bargaining deals implicating the former president.

In 2017, Lula announced he would stand as the Workers' Party candidate for president again in the 2018 election. Despite Lula's imprisonment in April 2018, the Workers' Party insisted in keeping Lula as the party's presidential candidate.

The Workers' Party officially launched Lula as its candidate on 5<sup>th</sup> August 2018, in São Paulo. Former São Paulo Mayor Fernando Haddad was named as Lula's running mate. The UN Human Rights Committee ruled on 17<sup>th</sup> August 2018 that it had requested the Brazilian government to allow Lula to exercise his political rights and stand for president.

In a 26<sup>th</sup> August 2018 poll, Lula had 39% of voter intentions within one month of the first round. The same opinion polling put Lula ahead of all his challengers in a second round run-off, including the nearest one, PSL candidate Jair Bolsonaro, by 52% to 32%.

Lula's candidacy was denied by the Superior Electoral Court on 31<sup>st</sup> August 2018, when the majority of the seven-judge panel voted to bar Lula from running in the presidential race.

On 11<sup>th</sup> September 2018, Lula officially dropped out of the election and was replaced by as Workers' Party candidate by Fernando Haddad, whom Lula endorsed; his running mate for the post of Vice-President was Manuela d'Avila of the Communist Party of Brazil (PCdoB) who was a Deputy in the state of Rio Grande.

Meanwhile, the reactionary forces of the oligarchy had gathered around former army officer Jair Bolsonaro. He has received massive funding and media support, his running-mate for Vice-President is ex-army General Hamilton Mourão.

Bolsonaro will assume office 1<sup>st</sup> January 1919. He has threatened to "Deal with the Reds" — more frightening from a global perspective, he has vowed to remove ALL the conservancy areas in the Amazon and allow the total destruction of the rain forest. Bolsonaro has, on numerous occasions, expressed his admiration for the former military régime including chief torture specialist, Colonel Brilhante Ustra. Bolsonaro has also appointed Sergio Moro the ruthless and highly partisan judge responsible for the conviction of Lula as Minister of Justice.

Bolsonaro is, of course, a devout Christian.



**Vice-President Elect  
Hamilton Mourão**



**President Elect  
Jair Bolsonaro**



**Minister of Justice  
(from 1<sup>st</sup> January 2019)  
Sergio Moro**

# BRAZIL SHIFTS RIGHT

**Bolsonaro pledges to eliminate “the reds”**  
**30<sup>th</sup> October 2018**



**by Emile Schepers**

*Emile Schepers was born in South Africa and has a doctorate in cultural anthropology. Acknowledgements for this article to People’s World, journal of the Communist Party, USA.*



**Supporters of Workers’ Party presidential candidate Fernando Haddad embrace in disappointment after rival Jair Bolsonaro was declared the winner in the presidential runoff election, in Sao Paulo, Brazil,**

**PHOTO: Nelson Antoine / AP  
Sunday, 28<sup>th</sup> October 2018**

As expected, ultra-right candidate Jair Bolsonaro of the Social Liberal Party won Sunday’s second-round presidential elections in Brazil, with 55.1 percent of the vote over his rival, Fernando Haddad of the Workers’ Party’s 44.8 percent. The implications of this win for Brazil, for all of Latin America, and the world beyond are extremely ominous.

Brazil, with its 210 million inhabitants, is the largest country in Latin America and the fifth most populous country in the world (after China, India, the United States, and Indonesia). It has the eighth largest nominal Gross Domestic Product in the world, as well as oil, agribusiness, manufacturing, and even its own armaments industry.

Until an unconstitutional impeachment removed Dilma Rousseff of the Workers’ Party as president, Brazil was also a bulwark of progress internationally. The country was providing much needed economic help to the nations of Africa, and was the “B” in BRICS — Brazil, Russia, India, China, South Africa — the grouping of major countries that were working to build an economic and trade counterweight to the United States, the European Union, and the other dominant capitalist powers. The overthrow of Rousseff and now the election of Bolsonaro may have completely dismantled that effort.

Though right-wing governments have taken control in a number of Latin American countries of late, and although the current government of Brazil is already right-wing, the arrival in power in the regional powerhouse is the biggest blow against democracy and the working class since the election of Trump in 2016.

How did this happen?

First, there was the aforementioned parliamentary coup against Rousseff, resulting from her impeachment and removal from power in August 2016. This brought to power the current president, Michel Temer, who immediately started reversing all the progressive social and economic policy initiatives of Rousseff and her predecessor, President Luiz Inácio Lula da Silva (2003-2011).

Temer's regime quickly became one of the most unpopular in Brazilian history, as the social safety net was slashed and massive corruption scandals arose around him and his political allies. But there were corruption scandals involving the previous governments also, so the left did not benefit as much as it could have from Temer's disgrace.

Lula was still the most popular political figure in Brazilian electoral politics because of the very real benefits his economic and social policies had brought, increasing the rights of women, Afro- and indigenous Brazilians, LGBTQ people, workers, and the poor. So the Workers' Party and allies wanted to run him for president once more. But in April, Lula was jailed under dubious charges of corruption and money laundering. All efforts to get him released so he could run for president once more failed right before the first round of the presidential elections on October 7.

To replace Lula as their presidential candidate, the Workers' Party chose former São Paulo Mayor Fernando Haddad, with former legislator Manuela d'Avila of the Communist Party of Brazil (Partido Comunista do Brasil, or PCdoB) as his vice presidential running mate. Polls had predicted that Bolsonaro would do well in the first round, but when the votes were tallied, he had done much better than expected: With 46.03 percent of the vote, he came close to winning the presidency without the need for a runoff. Haddad came in a distant second, with 29.28 percent of the vote. The rest of the vote was split among eleven other candidates.

So with just three weeks to go to the runoff, the Haddad campaign had to win over enough votes from left, centrist, and even conservative candidates to overcome Bolsonaro's big head start. (Voting in Brazil is legally obligatory for people between 18 and 70 years of age.) Many of the candidates eliminated in the runoff were less than helpful, either refusing to endorse Haddad or working for Bolsonaro.

From the start, former candidate Guilherme Boulos from the PSOL (Socialism and Liberty) Party and the smaller Brazilian Communist Party, the Partido Comunista Brasileiro (PCB), immediately announced his support for Haddad and d'Avila. Ciro Gomes of the Democratic Labor Party and Marina Silva of the Sustainability Network eventually did also, but it was not enough. On the other hand, there were truly massive women's and labor demonstrations against a possible Bolsonaro victory.

Bolsonaro and his vice presidential running mate, army general Hamilton Mourão, descended into the tactical gutter, but also gave clear warning as to what Brazil would be in store for if they won. Bolsonaro had been seriously injured in a stabbing attack on September 7, and this was used as a pretext not to participate in candidates' debates even after he was long out of danger. The assailant had nothing to do with the opposition, but the incident was used to hint otherwise, i.e., that there was some sort of co-ordination between the assailant and Haddad's Communist running mate, Manuela D'Avila.

The Haddad campaign complained of an avalanche of "fake news" circulated on social media, including bogus claims that Manuela d'Avila had shown up in a T-shirt with the words: "Jesus was a transvestite." It was quickly shown to be photoshopped: The slogan on D'Avila's shirt was really "rebel!" Violence, threats, and police harassment, including "investigations" carried out against academia, were also used by Bolsonaro's supporters to suppress the opposition vote.

There were also a number of murders of Bolsonaro's opponents during the campaign. The day before the runoff election, the son of an important woman trade union activist was shot dead at a Haddad rally by men believed to be Bolsonaro supporters.

Bolsonaro's ferocious "tough on crime" line may have appealed to Brazilians worried about the very real erosion of personal security in the country, and the corruption issue also, no doubt, had an impact.

In addition, Bolsonaro got massive support from big business interests, from right-wing Evangelical Christian leaders and churches, and from sections of the military who, as he does, hanker after the days of the military dictatorship of 1964 to 1985, when military officers could steal, torture, and kill with impunity.

## Bolsonaro's Brazil

According to Bolsonaro, the only problem with repression under the dictatorship was that it did not kill enough people. He has promised to open up territory reserved for indigenous Brazilians — and for descendants living in escaped slave colonies, as well as nature reserves — to ruthless economic exploitation by agribusiness and mining interests. He has announced that Brazil will be a Christian country, and he will rule with the Bible alongside the constitution.

He has characterized Afro-Brazilians as fat and lazy and denounced the past government's help to African countries, which he has described more or less in the same terms that President Trump has done. He has said he will pull Brazil out of the United Nations, which he considers to be a "den of communists," and also out of the Paris Climate Agreement.

He has called for the jailing of members of the Landless People's Movement, said he will get rid of the "reds," joked about raping people, and said he would rather his son die than be gay. He will align Brazil with the United States and Israel.

These are attractive positions from the point of view of important sectors of the Brazilian and international ruling class. Perhaps for that reason, employers pressured and threatened their employees to vote for Bolsonaro.

An examination of the demographics and economics of the vote shows that Haddad's support came from the poorest communities in Brazil, and Bolsonaro's from the wealthiest areas. The geographical pattern of the vote also was revealing for its racial dimension: Haddad won the great majority of the states (of the 27 in Brazil) entirely in the Northeast region. This region is characterized by a lower percentage of Brazilians classified as "white," i.e., of European origin, than other areas of Brazil where Bolsonaro won. For example in the Northeastern state of Maranhão, which has a Communist governor (Flávio Dino) and where whites are only 25.5 percent of the population, Haddad won. But in the state of Paraná, in the far south, whites are 73 percent, and Bolsonaro swept the state. The state of Pará, in the Northeast, is only 23 percent white, and went to Haddad, while Santa Catarina in the south, which is 87 percent white, went to Bolsonaro.

This suggests that lower income, working-class, and minority Brazilians still constitute the core of a fight back against whatever policies Bolsonaro will now impose. The Communist Party of Brazil pointed out in a post-election statement that the election results have profound implications for the whole of Latin America, and called for the unity of all progressive and democratic forces to push back against the growing fascist threat.



**Fernando Haddad**  
Presidential Candidate  
PT



**Manuela d'Avila**  
Vice-Presidential Candidate  
PCdoB

## BRAZIL'S NEW LEADER PROMISED TO EXPLOIT THE AMAZON — BUT CAN HE?

*President-elect Jair Bolsonaro wants to harvest the rain forest's riches, raising fears among environmentalists and indigenous communities. Are they justified?*

The victory of hard-right candidate Jair Bolsonaro in Brazil's presidential election Sunday has set off alarm bells among indigenous communities and environmentalists over the fate of the Amazon rain forest. Activists and native leaders are particularly concerned by Bolsonaro's campaign pledges to rollback protections of the rain forest and indigenous rights. Yet some experts say there are limits to how far Bolsonaro will be able to go on his promises, perhaps suggesting a more moderate future.

**"We are very worried, based on what the president-elect has stated,"** said Beto Marubo, a native leader from the Javari Valley Indigenous Land in Brazil's far-western borderlands. **"If what he has promised comes to pass, there will be chaos and upheaval in the Amazon."**

Reports are circulating that Bolsonaro's victory has already bolstered a sense of impunity among criminal groups that traffic in timber, exotic species, and other riches pilfered from indigenous land. "Many brothers tell us there are invasions, people entering the territories with no regard for the rules and no fear of the authorities," Beto Marubo told *National Geographic* in a WhatsApp message from Brasília.

The two federal agencies at the forefront of protecting the Amazon are the indigenous affairs agency, known by its acronym FUNAI, and the Ministry of Environment's enforcement arm, widely known as IBAMA. The fate of both organizations remains uncertain. What seems certain is that their budgets, already severely slashed under the outgoing government [government of Michel Temer], will suffer further — perhaps crippling — reductions under Bolsonaro.

**"Bolsonaro has a very strong anti-environmental discourse, and I have zero doubt that his discourse will direct policy,"** says Scott Mainwaring, a Brazil expert at Harvard University's Kennedy School. **"I don't see that this government is going to want to tell landowners not to chop down this part of the forest because it's on indigenous land. It doesn't seem there will be any major effort to protect the Amazon."**

### Governing via Coalition

Not all environmental experts view Bolsonaro's victory as an outright catastrophe:

**"It's important to differentiate between the campaign rhetoric Bolsonaro directed at his base and agreements he must make with his coalition in congress,"** says Eduardo Viola, professor of international relations at the Universidade de Brasília and co-author of *Brazil and Climate Change*. Viola says it would be **"practically impossible" for the new president to make good on his campaign pledge to pull Brazil out of the Paris climate accord. Unlike in the United States, the Paris agreement was ratified by the Brazilian congress, almost unanimously."**

Whether a Bolsonaro government will comply with Paris commitments to reduce deforestation and limit greenhouse gas emissions is another matter. Deforestation rates in Brazil have been on the upswing in the past five years. Brazil would need to cut its current annual deforestation rate of roughly 2,700 square miles (7,000 square kilometers) by two-thirds to comply with its Paris obligations.

**“That’s clearly not going to happen,”** Viola says. Still, he believes that international pressure will help keep the rate of forest loss from climbing any higher. Brazilian producers of agricultural products, such as beef and soy, **“understand that a negative image of Brazil in regards to the Amazon and climate change will hurt Brazilian exports.”**

## Indigenous Concerns

That’s small comfort for indigenous rights activists. They fear Bolsonaro’s avowed plan to wring riches from the Amazon — whether from expanding agriculture into indigenous lands, building roads and other infrastructure projects, or allowing mining on public lands — will unleash a tide of violence and environmental devastation.

**“All indigenous communities are afraid right now,”** says Felipe Milanez, Professor of Humanities at the Universidade Federal de Bahia. **“There is a risk of brutal, violent attack.”**

Milanez fears that indigenous efforts to patrol and protect their own lands from outsiders, such as the Forest Guardians recently covered in *National Geographic* magazine, will be banned and persecuted.

**“His economic project is to destroy the Amazon, to transform the Amazon into commodities for export,”** Milanez says.

Human rights activists are concerned that a surge in violent land conflicts will accompany an increase in environmentally destructive development in the Amazon:

**“There is no doubt that devastation will spread in the region,”** says Diogo Cabral, an attorney with the Sociedade Maranhense de Direitos Humanos. **“At the same time, he aims to extinguish policies that protect human rights defenders in Brazil. Under Bolsonaro, human life will have no value.”**

It’s a prospect that leaves Brazil’s indigenous populations with a sense of foreboding:

**“Scientists have shown that the lands where indigenous people live have the most intact, protected forests,”** says indigenous leader Marubo. **“That’s because for us the land is life. Our land is not for sale. It’s not for rent. Without the land, there is no life.”**

**Scott Wallace**  
**31<sup>st</sup> October 2016**

*Acknowledgements to National Geographic for this article.*



**Indigenous leader Paulo Marubo**



# Statement by the COMMUNIST PARTY OF BRAZIL PCdoB



The election of Jair Bolsonaro in the presidential elections establishes a new political period in our country, marked by threats to democracy, national patrimony, the sovereignty of the nation and the rights of the people. It was elected a president of the Republic clearly determined to establish a dictatorial government, to implement, blood and fire, an ultra-liberal and neo-colonial programme.

The electoral ticket Fernando Haddad as president and Manuela d'Avila as vice-president has got more than 46 million votes and provided a positioning of the nation's democratic consciousness, laying the foundations of a vigorous opposition that begins right now.

There is a twist towards regression, deconstruction, and even the destruction of historic gains and achievements over which, despite serious problems that persist, Brazil and the Brazilian people have risen and flourished.

This was very explicit in the run-up to the second-round campaign, when the Republic's institutions, as the Federal Supreme Court (STF) and the Supreme Electoral Court (TSE), were threatened. Likewise, basic guarantees of the Federal Constitution were attacked, such as freedom of the press, demonstration and party organisation. The autonomy of universities was trampled underfoot. During the campaign, the president-elect was a crier of violence, intolerance and hatred among Brazilians, and vowed to imprison or ban the country's 'red' citizens who diverge from it, and to criminalise movements and entities of the people.

Given the importance of Brazil — which has an economy that is among the ten largest in the world — this reactionary rupture will have a strong regressive impact in Latin America.

The trigger of all was the coup of August 2016, which now consolidates itself with the assumption of the extreme right to the government of the Republic. There is a cut in the construction of democracy, restarted in 1985, after the end of the military dictatorship, through an electoral process that happened with the Democratic State of Right, suffocated by the State of Exception. The preaching in a fascist tone of the elected candidate emerged from this, not without a confrontation by the forces of democracy — a trend that will certainly be strengthened in this new political scenery.

The integrity of the elections was corrupted to favour the right-wing candidacy, by means of illegal means, in the style of the so-called hybrid war that stimulates the large use of fake news, criminally financed by large entrepreneurs, as denounced by the press. Such illicit means, among others, interfered in the result of the polls. They are rightly under investigation in the Electoral Court, from which deep and agile instruction is expected with decisions in accord on the seriousness of what happened.

The resistance of the democratic, progressive, popular and patriotic forces is supported by the expressive power of Fernando Haddad-Manuela d'Avila and the positioning of personalities and institutions that have raised their voices to defend democracy and the Constitution.

Resistance, vigorous opposition, must be organised within the whole political and social life of the country, beginning with the National Congress and other legislative houses, extending to social movements, working class organisations, segments of the business community, the academia, intellectuals, artists, the judiciary world, religious sectors, and even members of institutions of the Republic. Governors and mayors of the democratic camp will play an important role in this endeavour.

With this new reality, which represents a break with the cycle of advancement of democracy initiated in the so-called New Republic, the Communist Party of Brazil (PCdoB), as it has always done in its history, stands firmly in the trench of the uncompromising defence of Nation, democracy and the Brazilian people.

The Communist Party of Brazil, almost a legendary Party, from the Old Republic, together with the other progressive forces of the country, fought against all the governments and authoritarian regimes and tyrants that infested the history of the Republic. Based on this experience, the PCdoB conveys to the Brazilian people the certainty and confidence that, despite the serious threats that menace the country, it will not be easy for Bolsonaro to accomplish the obsession with burying Brazilian democracy. It laid deep roots in the country soil, costing the nation many struggles and lives. Progressively, from the millions and millions who voted and supported the candidacy of Haddad as president and Manuela as vice president, a majority will rise to defend democracy, and it will win once more.

To this end, the PCdoB addresses the people and the democratic forces of the country, calling on starting today to build a broad unity with the objective of unveiling horizons for a civic, patriotic, democratic and popular journey, and the formation of barriers against the return of a regime of State of exception and in defence of democracy, Brazil and the rights of the people.

**São Paulo, 28<sup>th</sup> October 2018.**

**Luciana Santos. Member of the Parliament  
President of the Communist Party of Brazil - PCdoB  
National Executive Committee of the Communist Party of Brazil - PCdoB**



Deforestation in the Brazilian Amazon: a major factor in global warming

# CENTENARY OF THE END OF THE FIRST WORLD WAR

by Ian Patrick Beddowes



On 11<sup>th</sup> November 2018 the world commemorated the Armistice of 11<sup>th</sup> November 1918 which ended the First World War (1914-1918), until that time the most terrible, the most destructive in history. It was only surpassed in terms of ferocity and the loss of human life by the Second World War (1939-1945). An estimated 9 million combatants and 7 million civilians died as a direct result of the war, and it is now believed that the flu epidemic of 1918-1919 which caused at least 50 million deaths worldwide was either caused by or spread by the conditions created by the First World War.

The War was a war between two competing imperialist blocs. On one side was the German Empire, the Austro-Hungarian Empire and the Ottoman (Turkish) Empire. On the other side was the British Empire, the French Empire and the Russian Empire.

The Second International led by the International Socialist Bureau (ISB) in Brussels, Belgium. United all the world's socialist parties and was strongly influenced by Marxist ideas.

With the possibility of war being obvious even in 1912 the ISB called a special Congress in Basel, Switzerland which declared:

**"If a war threatens to break out, it is the duty of the working classes and their parliamentary representatives in the countries involved supported by the co-ordinating activity of the International Socialist Bureau to exert every effort in order to prevent the outbreak of war by the means they consider most effective...."**

**"In case war should break out anyway it is their duty to intervene in favour of its speedy termination and with all their powers to utilise the economic and political crisis created by the war to arouse the people and thereby to hasten the downfall of capitalist class rule."**

But when war did break out, the majority of the leadership of the working-class parties decided to support the bourgeoisie of their own countries sending conscripted workers from antagonistic countries to mutually slaughter each other on the battlefield. An exception was the Bolshevik Party in Russia led by V.I. Lenin who demanded that the imperialist war be turned into a revolutionary class war.

In February 1918, the Tsar was overthrown and in October, the Bolsheviks at the head of the Soviets of Workers. Peasants and Soldiers Deputies seized power. In March 1918, Russia pulled out of the First World War.

Towards the end of 1918, all the armies were in a state of mutiny or near mutiny. On 3<sup>rd</sup> November 1918, the sailors of the German fleet revolted leading to the overthrow of the German Kaiser within a few days and the signing of the Armistice ending the war on 11<sup>th</sup> November 1918.

The working-class actually took power in some parts of Germany and also in Hungary for a short period, but the German revolution came to an end with the murder of the leaders of the newly formed Communist Party of Germany. Karl Liebknecht and Rosa Luxemburg in January 1919.

Bourgeois historians like to hide the role that the working-class played in bringing this vile war to an end.

Nevertheless, the First World War created the conditions for the formation of the Soviet Union, the world's first socialist country.

In Europe, Poland, Finland, Czechoslovakia, Hungary and Yugoslavia gained their independence. The break-up of the Ottoman Empire gave semi-independence to Syria, Lebanon and Iraq as well as giving a mandate to Britain to govern Palestine — which was later to lead to the formation of Zionist Israel and the expulsion of the Palestinians from their land. In Africa, Germany lost its colonies, Togo, Cameroun, Ruanda-Urundi, Tanganyika, South-West Africa to other imperialist powers.

The echoes of the First World War still remain today. It would take at least one book to trace all the threads even in outline.

## Some Personal Memories

My grandfather, Charles Edward Beddowes, Charlie Beddowes to his friends, lost his father when he was still a child. His mother was left to bring up Charlie and his brother and sister by cleaning houses. In 1910, Charlie, who lived in the industrial city of Birmingham joined the British army as a private soldier. Generally, conditions were so poor in the army at that time that only the desperate joined it, at least in the lower ranks. He joined the Royal Welsh Fusiliers — a large proportion of the population of Birmingham at that time was of Welsh ancestry, including mine.

The First World War broke out officially on 28<sup>th</sup> July 1914. Two months later at Ypres in Belgium, came the first major battle, the First Battle of Ypres (the British soldiers unable to pronounce the name, called it 'Wipers'). At the end of the battle, out of some 1,200 men of the First Battalion Royal Welsh Fusiliers to which my grandfather belonged, only 86 men survived (some accounts say fewer than that). His best friend, Patrick Sullivan, who despite his Irish name came from Merthyr Tydfil in Wales was killed. When my father was born on 8<sup>th</sup> January 1915, he was named Patrick Ypres Beddowes. I am Ian Patrick Beddowes, my son is Patrick Mkhonto Beddowes and I have a grandson named Nathan Patrick Mjumi — all a result of the First World War.

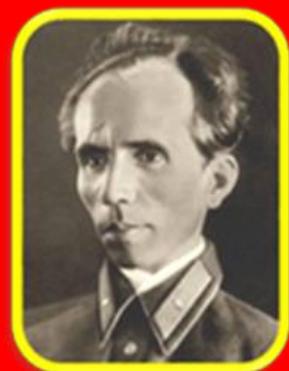
My other grandfather, Harry Silas Kershaw was luckier. He volunteered to join the army in 1915 in a fit of patriotism. As he was more literate than most at that time they put him into the Royal Army Ordnance Corps as a clerk. He later became a Quartermaster and was Quartermaster Sergeant for the British Army of Occupation in Köln (Cologne) Germany. He told me that he only came under fire once.

The last memory is of two old ladies who owned a small shop near to where we lived in Birmingham. They were known as Big Miss Mills and Little Miss Mills. I still remember being shown faded sepia photographs of their fiancés who had died in the First World War. Some 1,100,000 young men died from Britain alone, leaving a whole generation of women who would never marry.

From:

# HOW THE STEEL WAS TEMPERED

1932-1934



*Man's dearest possession is life. It is given to him but once, and he must live it so as to feel no torturing regrets for wasted years, never know the burning shame of a mean and petty past; so live that, dying, he might say: all my life, all my strength were given to the finest cause in all the world — the fight for the Liberation of Mankind*

by Nikolai Ostrovsky

(1904-1936)