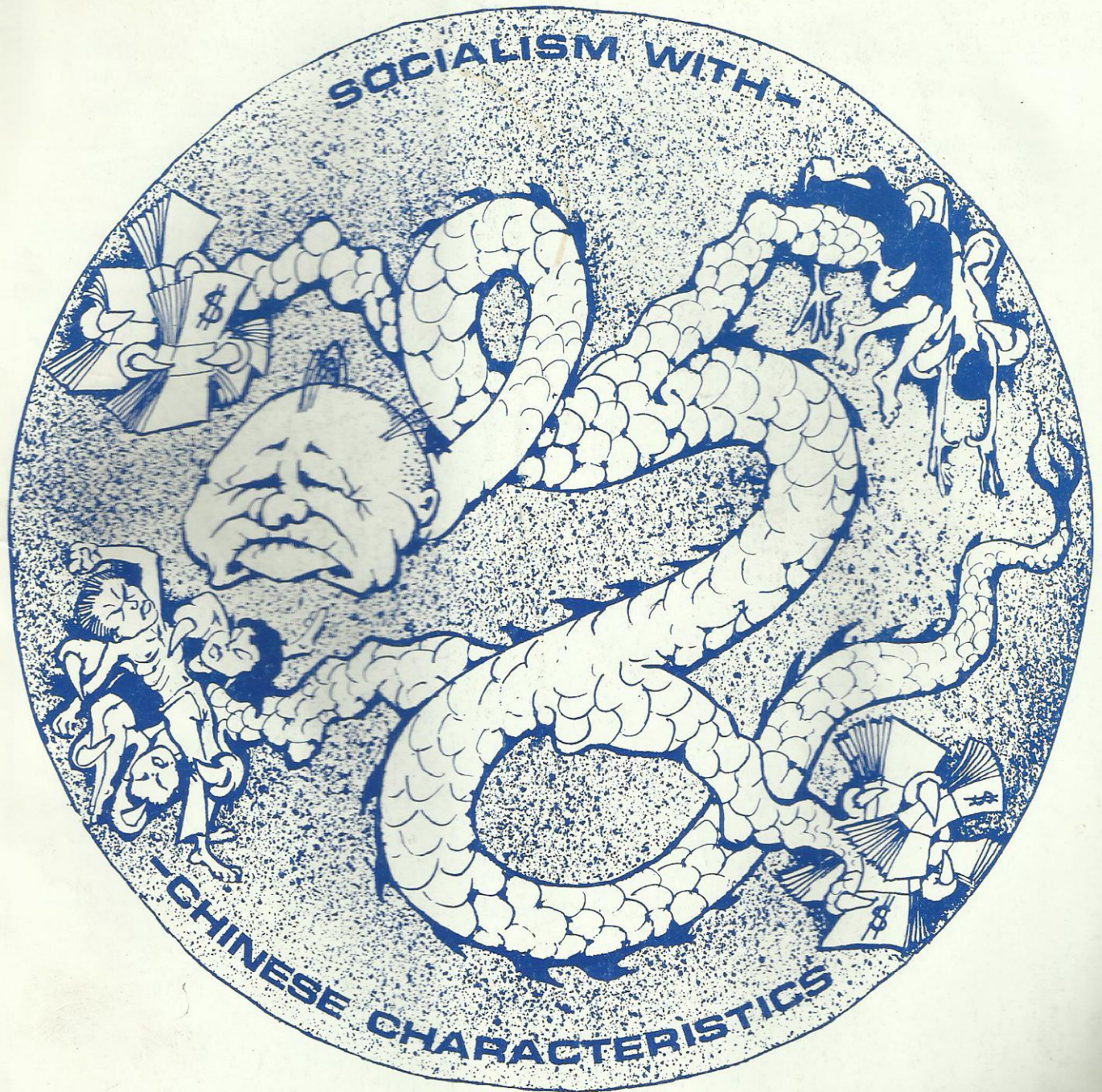


Militant International Review

No.56 March-April 1994 £1



THE CHINESE PUZZLE

Militant International Review

Issue 56, March/April 1994. Editor: Lynn Walsh, 3-13 Hepscott Road, London E9 5HB.

2

International Notes

The Macedonian
Question; Japan.

5

Russian nationalism

What are the roots of
Russian nationalism? How
will Zhirinovsky feature in
this growing phenomenon?

9

The shadow of Hebron

Does the Hebron
massacre mark the end
of the Israeli-PLO 'peace
process'?

13

Will Benazir survive?

What are the prospects
for Pakistan under
Benazir Bhutto?



16

*Nick Wrack looks back at the
Portuguese revolution, when the
working class had power within its
grasp.*



26

*How can China's 'economic miracle'
and apparent political stability be
explained?*

16

When Portugal went red

Twenty years ago this
April a revolution began
in Western Europe which
shook capitalism to its
roots.

21

Breaking the chains

An interview with an
organiser of the 1973
Natal strikes, a key
episode in the
re-awakening of South
African workers.

26

The Chinese puzzle

What is the character of
the Chinese state? Has a
smooth transition to
capitalism been achieved?

International Notes

The Macedonian question

ON FEBRUARY 16, Greek prime minister Andreas Papandreou closed all ports to trade with Macedonia, the tiny poverty-stricken former Yugoslav republic. As 80% of its trade, including vital oil supplies, goes through Greece, Macedonia will be hit hard. Since independence in November 1991, Macedonia's economy had already contracted by over 30%, with national income now at \$700 per capita.

This provocative move by Greece's 'socialist' premier will inevitably aggravate tensions: between the states and nations of the area and inside Macedonia itself, where Albanians officially make up 21% of the 2m population. Any movement of Macedonia's Albanian minority could spill into Albania and Kosovo, the southern province of Serbia, which has an Albanian majority. Such a conflict would draw in Serbia, which in turn could draw in Bulgaria, Turkey and even Russia, which has its own ambitions in this region. Papandreou's nationalistic manoeuvres, therefore, will increase nationalism in Greece and, at worse, provoke a new Balkan war.

Papandreou is demanding 'concessions' from Macedonia: a change in its constitution (which allegedly implies a territorial claim on northern Greece); the dropping of the 'star of Vergina' as Macedonia's symbol (allegedly dating back to Alexander the Great); and to



Greek nationalists demonstrate.

'stop making propaganda' against Greece, generally taken to mean Macedonia changing its name. Currently, Macedonia's diplomatically agreed name is FYROM - the Former Yugoslav Republic Of Macedonia - but Greece refers to it as Skopje (after the capital city). Yet only in January Papandreou said that Greece's interests were best served by stability in Macedonia. His blatant about-turn reflects a growing crisis within Greece.

In December 1993 the main European powers recognised Macedonia prior to Greece beginning its six-month presidency of the European Union. In early February Clinton extended recognition. However, this was seized upon to whip up nationalist feelings against Macedonia. Greek Orthodox clergy called a demonstration on 15 February: 100,000 besieged the US consular office in Salonika. Another demonstration has been called and over 500,000 could attend, mirroring the one million who demonstrated in Athens in December 1992.

Papandreou's actions are an opportunistic attempt to ride a nationalist movement that is erupting in Greece. Nationalism,

however, is capable of accelerating out of control, lurking as an ever present danger threatening to divide the working class.

His actions are also a big gamble for Greek capitalist interests. Not only could they lose lucrative business, but Greece may be brought into collision with the major powers. Greece benefits from European Union regional aid, this year \$4bn, 10% of GDP. Brussels had already used this as a lever to push an austerity programme and more privatisation.

The Greek government has already built an alliance with Serbia and Papandreou could even be attempting to draw in Greece's traditional 'big brother', Russia, to counter-balance the perceived manoeuvres of the dominant European power, Germany, which is linked to Croatia and Turkey.

At the moment, all the major parties in Greece back Papandreou, not least for fear of being blamed if (or when) things go wrong. *Xekinhima*, Militant Labour's sister organisation in Greece, in contrast, are putting forward socialist opposition to nationalism. They point out that even if Papandreou's foreign



Greek premier Papandreou.

policy 'succeeded', it would be a defeat for the working class in Greece. It would bolster national chauvinism and inflict a wound on the Balkan working class that could take years to begin to heal. For these reasons alone the leaders of the Greek labour movement have a duty to oppose the actions of the government.

Papandreou led PASOK back to office after the collapse of the New Democracy (ND) government in September 1993. ND premier Mitsotakis had attempted to bring in a programme of widescale privatisation but failed. There was massive resistance, including a general strike in March 1993. In response, Mitsotakis raised the Macedonian question to 'rally the nation' behind his government. All he created was a nationalist backlash inside Greece and a split-away from New Democracy, led by former foreign minister Samaras. This split-away has now become a new nationalist party - Political Spring - which entered parliament in the October general election.

Despite polls showing 67% support for Papandreou, there is unease amongst workers combined with confusion and divided loyalties. The labour movement could intervene decisively against Papandreou's reactionary policies, in the same way that previously its pressure overturned a 19-month prison sentence imposed upon socialists arrested by the Mitsotakis government for 'pro-

Macedonian treason'.

The labour movement leaders must warn against the dangers of nationalism and the war it can lead to. Links must be built between the working class of Greece and Macedonia, for a joint struggle against capitalist poverty and crisis which is being imposed on the

Greek and Macedonian workers by the major powers. A Greek/Serbo/Russian capitalist alliance will not benefit workers anywhere. Instead, workers' leaders in the region should call a conference of working class organisations from all countries in the Balkans, for peace and for a Socialist Federation of the Balkans, which would secure the rights of all nationalities and minorities and open the way to a real harmonious development of the area.

There is pressure from the EU and US on Greece and Macedonia to compromise. But the Macedonian president Gligorov does not have sufficient electoral support to make constitutional changes, even if he wanted to. Would Papandreou accept some 'declaration of intent'? Such gestures, however, could themselves add to the turmoil within Macedonia. And Gligorov cannot compromise on the name.

Mitsotakis, in his time, did compromise on the name, hence the clumsy FYROM formula. However, because he had stirred up Greek nationalist sentiment on this very issue, his compromise became the issue that broke his government. Papandreou also will face this dilemma. A compromise now could result in intense disillusion amongst those stirred up against so-called 'Macedonian expansionism'. This could undermine PASOK's support and boost Political Spring.

The Greek working class has a heroic tradition of fighting tyranny and oppression, particularly foreign domination. Given a real lead of fighting against nationalism and capitalism, it could prevent further moves down this dangerous road.

Milosevic in Serbia is also under siege from his working class. In January the government had to make concessions to strikes of miners, rail and transport workers. At the beginning of February the government only averted a strike of 12,000 Belgrade metal workers by conceding their demands. There have been important strikes recently in Turkey. Two million struck in Romania on 28 February.

There is a bloody Balkan tradition of war and slaughter. But more importantly, there is the workers' tradition of unity across national and ethnic lines. A unified struggle against capitalism, for jobs and homes and against the national oppression of any minority, would demonstrate the ability of the working class to impose its own socialist solution. The dangers of war add new urgency to the Balkan tragedy. □

Mike Waddington

Japan

CLINTON'S CLASH WITH Japan over the opening up of its domestic market to US penetration plunged the Hosokawa government into a fresh crisis, while Japan remains in the grip of its most serious recession for 50 years. Before now, Japan had not experienced even two consecutive years with growth of less than 3% since 1945. But, if the forecasts are accurate, it will have suffered four such years by 1995.

The economic gloom is symbolised by the changed fortunes of the formerly impregnable Japanese car industry. With the highest ratio of household debt to disposable income of any big industrial country, Japan's work-

ers are not buying new cars. The auto industry produces 2m more cars than the market wants - an excess capacity equal to the total market of Britain or France. In the boom years of 1986-89, the average profit on cars was ¥83,000 per unit. Now it is barely ¥15,000. As the US vehicle industry has recovered its competitiveness, Japan has lost share in that vast market. It also faces growing threats of import controls from Detroit.

Economic slowdown is beginning to have a dramatic psychological effect on bosses and workers alike. Debates rage amongst Japanese bosses about scrapping jobs-for-life schemes, which in previous periods of economic difficulty steadied consumer confidence by persuading workers their jobs were safe. Nippon steel now talks of slashing 20% of its workforce over the next three years. If the government agrees to the measures demanded by the US and opens up the traditionally protected economy then the Japan Research Institute say this would make 4.1m workers redundant.

It all seemed so different in the heady 1980s. Business investment grew annually by over 10% between 1986 and 1991, the banks lent indiscriminately, and the stock market became a byword for easy profits: Speculation against land prices became an obsession and even established manufacturing giants like Toyota joined the binge, harvesting 89% of its 1986 profits from financial dealings.

But shortening product cycles and increasing capacity cannot offset saturation point being reached in the market, as too much is produced for workers to buy. The eventual slowdown began to develop in 1991-92. The capital spending boom had been accompanied by, and in part motivated by, a fear of labour shortages. In many cases robots, automated warehouses and electronic point-of-sale ordering systems, failed to yield a proper rate of return. Factories were forced to run closer to capacity



Japanese premier Hosokawa.

to stay profitable, but by November 1992 the capacity utilisation rate stood at only 71%. Company profits began tumbling and have yet to recover.

Adding an explosive ingredient to this inevitable process is the legacy of the unprecedented financial bubble. Having burst, it has inflicted extensive damage to the banks, industry, the stock market and workers' living standards. The fall in land prices triggered off thousands of bankruptcies. Home-owners who used the inflated value of their homes as collateral against borrowing, or to play the stock exchange, have been blitzed. Now, fearing redundancy, they are in no mood to respond to the government's economic stimulation packages and the record low interest rates designed to kickstart the economy, preferring instead to save and try to pay off debts.

The banks bought massive amounts of shares in the boom years. They have been left with astronomical debts from their lending profligacy which could take at least a decade to clear. As a result they are restricting new credits to ailing industries, prolonging the recession.

In this context Hosokawa has tried to woo industry and consumers alike by expanding public spending. The fourth and latest scheme is an injection of ¥15.2 trillion through tax cuts, public works projects and aid to industry. Alone of the G7 economies

Japan is able to try this because of its budget surplus, but even this cannot artificially create sustained demand where the market is flat.

Japan's industrialists have had only one short-term solution. They have sought cheaper assembly sites in Asia, where 80% of fixed direct investment yields a profit in two years - and to target export markets more ferociously.

These are the factors which have brought Japan into conflict with US capitalism, whose policy is to pry open the Japanese market to reduce Tokyo's trade surplus with Washington, currently nearly \$60bn. The US is now preparing retaliatory measures against the protected cellular telephone market. As another means of exerting pressure it has pushed up the Yen's value against the dollar which, at the present exchange rate of ¥104, penalises Japanese exporters. Less than one in 20 of them can cover their costs.

In this epoch of depression Japanese workers too are being forced to relearn the harsh realities of diseased capitalism. All the old certainties are being threatened and in long-dormant unions, strategies for fighting redundancy threats are being dusted off. Over the next decade the hidden militancy of this proud working class will reassert itself. □

Robin Clapp

Dave Cotterill looks at the phenomenon of Russian nationalism and how Zhirinovsky is likely to feature in this movement.

The roots of Russian Nationalism



Russian nationalists demonstrate in Moscow.

IT IS MISTAKEN to think that Russia will converge smoothly on a Western model of economic development". Dr John Gray, Oxford University. Russia's inability to create the conditions under which capitalism can flourish has led

to extreme political and social instability. A glance at the social statistics shows the horrors and nightmares that 'the free market' means. Fifteen million people, one tenth of the population, earn below starvation wages whilst one third are below the

official poverty line. At the same time, the fat cat emerging capitalists are now 10.4 times richer than the poorest ten per cent. So catastrophic is the social situation that in the last three years life expectancy has decreased by three years, from 69.2 to 66 years of age.

Shock therapy for the economy has meant an absolute disaster for the vast bulk of the population. An average family now spend between 60% and 70% of their income on food. For pensioners the figure is 83% and for those below the poverty line it is an incredible 90%. This is the economics of barbarism dressed up as a 'golden age' of capitalism.

Such damning statistics have brought home to even the most short-sighted that Russia is teetering on the edge of a social explosion. As a result shock therapy has been put on the back burner. Yeltsin's advisors talk of a mixed economy, while Yeltsin says "our task is to find a reasonable balance between the pace of reforms and the social cost". Most of the proponents of fast-track 'reform' have now been forced to resign, replaced by ex-Soviet managers who intend to proceed at a slower pace in handing over the big state industries to capitalist ownership. However, they remain essentially committed to the idea of a market economy.

This partial turnabout in the economic sphere is reflected more in the political arena where yesterday's villains have become today's heroes. Bowing to the pressure of the newly elected parliament, Yeltsin has been humbled by being forced to declare an amnesty for all the participants in the attempted 'coup' in October 1993. This amnesty has

Liberal Democratic Party.

In the short term, the two dominant issues will be the economy and Russia's 'near abroad' - especially with 25 million Russians living outside the borders of the Russian Federation. And although Yeltsin has no real foreign policy he is forced to use bellicose statements that in the defence of these people he will 'use not words but deeds'. At the same time US imperialism has been warned not to push for the incorporation of the former Eastern Europe into NATO. Instead Russia may agree to a 'partnership for peace', within which it is currently demanding that it should have 'big power status'.

ZHIRINOVSKY'S SPECTACULAR ELECTION results have forced Yeltsin and his government ministers into a much more aggressive foreign policy. The pact signed with Belarus, which carried through economic re-union with Russia, has been taken as one sign of expanding Russian influence. In Nagorno-Karabakh Russia is attempting to broker an agreement between Armenia and Azerbaijan. To exert pressure on Ukraine, the Russian government has questioned the status of the Crimean peninsular, which was ceded to Ukraine in 1954, and in the recent elections Russian nationalists won a big victory.

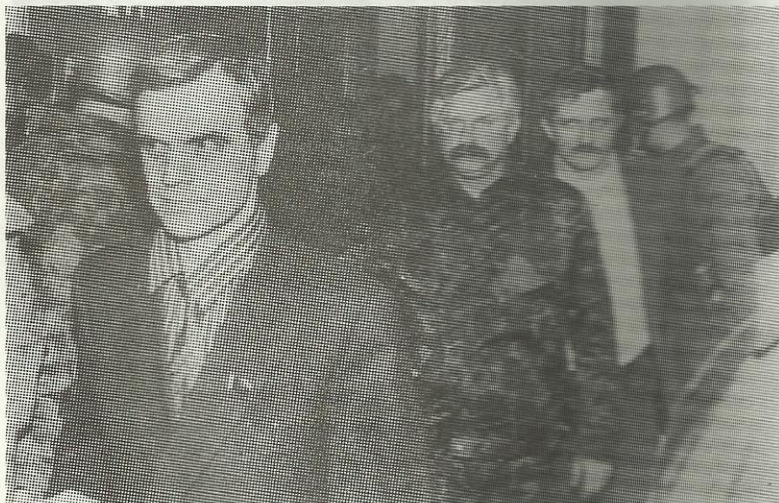
Alarm has spread in the West, with intelligence experts now talking of a 'Greater Russia' carving out its spheres of influence in relation to the Baltic states and Eastern Europe. At this stage, however, Russia, because of economic and social problems, has no resources to launch an aggressive imperialist foreign policy.

However, for the domestic audience the drum of nationalism has to be banged. Economic crisis, combined with a feeling that Russia has been sold out to the big powers, and a disdain, if not open hatred, for the market, have all helped to fuel nationalist feelings. Previously Russia was regarded as a big power, now the International Monetary Fund is dictating its economic policy. Yeltsin may try to argue that 'people voted not for the nationalists but against poverty', but this tells only one side of the story.

Zhirinovsky's success came about because of the desperate poverty, because he seemed to defend the rights of Russians, and also stood for law and order. For fast-track capitalism is openly equated with the Mafia and criminal conspiracies,

who are estimated to hold between \$15bn and \$25bn, half of which has been shipped abroad.

Yet this is before mass unemployment and the emptying-out of the factories has really hit home. Production has fallen by 30% over the last two years and many workers, such as the miners, have not been paid for months. In fact many of the strikes now taking place are to demand payment



Rutskoi, now released, has presidential ambitions.

severely undermined Yeltsin, who is now being forced by the parliament to consider the idea of 'National Unity', involving all nine parliamentary parties and the trade unions. Partly this is to prepare for the social shocks of increasing hyperinflation and the closing down of some of the large industrial enterprises. But also involved may be a strategy to isolate Zhirinovsky and his forces in the

of wages. Producers are simply in a position where they cannot pay wages or debts. To alleviate this position Chernomyrdin, the prime minister, is going to allow the relaxation of credit, the consequence of which is likely to boost production slightly but at the expense of an annual inflation rate of 2,000%.

Greater Russian chauvinism and nationalism have therefore grown against the background of these events. With no other pole of attraction, with so-called communism discredited and because of political naivety, Zhirinovsky has been able to gain temporary points of support. Though the initial illusions in the market have been shattered, the workers' organisations are by and large not providing any other alternative.

It is not at all accidental that in the attempted 'coup' in October 1993 the Stalinists, fascists and extreme nationalists could join hands with one another in the 'red-brown alliance'. Even in the old Soviet Union the Stalinists had used openly chauvinist, nationalist and vicious anti-semitic sentiments to maintain their rule.

Reflecting this past, Zhirinovsky's party managed to secure 22.7% of the vote in the December 1993 elections. But this does not represent a conscious vote for fascism. Part of his support consisted of workers and middle layers of society seduced by nationalism and the promise to restore Russia's former glories. Others were attracted by anti-semitism. But there were also confused workers who wanted to strike a blow at Yeltsin's fast-track reforms.

NATIONALISM HAS TWO sides, one which is progressive and one reactionary. Movements which begin around the right to self-determination and the ending of oppression by another nation can, under certain conditions, acquire a revolutionary class character. In other circumstances, nationalism can take on an utterly reactionary character. Reactionary nationalism disputes borders, claims 'lost' territories and reawakens old prejudices against whatever minority it can scapegoat.

When the working class moves into struggle, nationalism tends to recede as unity becomes the main focus. Setbacks, defeats and demoralisation generally act to strengthen national divisions. To cut across this threat the workers' movement needs to unite all workers in struggle, oppose all forms of national oppression and defend the rights of all



Yeltsin, increasingly bellicose.

minorities and all nations to self-determination. Given the current confusion amongst Russian workers and all sections of the population it is little wonder that nationalism has become a much more powerful force.

Defeats and demoralisation generally act to strengthen national divisions.

Such movements are not confined to Russia. Outside Russia, the new capitalist governments have based themselves on the nationalist sentiments of the non-Russian population. Each regime has used the tactic of diverting mounting anger over the economic situation against other nationalities or local minorities.

In the case of Ukraine, Kravchuk has banged the drum of Ukrainian nationalism and in doing so has taken a very big gamble. With a collapsing industry, galloping inflation, mass unemployment and unpaid wages, Russian nationalism may become a potent factor, especially with 12 million ethnic Russians living in Ukraine.

Zhirinovsky is an extreme expression of nationalism, who mixes all of the reactionary potions, including that of fascist demagoguery. But it may well turn out that he is only a stalking horse for other nationalist candidates. Yeltsin himself has increasingly been forced to don the cloak of nationalism, but his long-term position seems to be untenable. Humbled by the parliament and with speculation mounting about his health and state of mind, it is

difficult to see how he can last for any great length of time. Yavlinsky, one of the more popular 'reform' politicians, summed up Yeltsin's position recently by saying: "he does not know what to do. There is no concept of how to go ahead in the economy or in society".

However, it would be a mistake to think that Zhirinovsky will immediately profit. On his release, Rutskoi openly stated that his presidential ambitions could provide a barrier to Zhirinovsky, which might explain why Zhirinovsky wanted Rutskoi pardoned but at the same time demanded that he be banned from political activity after his release.

The problems of a dictatorial regime would be immense.

Moreover, rumours still abound about Zhirinovsky being an agent of the KGB, and recent events indicate that plans are afoot to undermine his position. To begin with, two MPs from the Liberal Democrats have denounced him as being 'crazy', while in the constituency from which he was elected, the elections have been annulled. Finally, accusations are now flying about that Zhirinovsky paid for adverts on the TV with forged bank-notes. The talks about national unity may, therefore, be aimed at marginalising Zhirinovsky and Yeltsin, allowing Rutskoi or another contender to take on the mantle of Russian nationalism.

A FULLY-FLEDGED fascist movement is largely ruled out for the time being. Classically, such movements were based on mobilising the middle classes to batter and atomise the organisations of the working class. In Russia today there are no stable classes which are rooted in the process of production. The capitalist class is only just emerging, centred around the ex-Stalinist bureaucrats and the gangster elements. Only a tiny minority have benefited from the market transition, whilst the vast bulk live in absolute poverty. As for the working class, the illusions in the market combined with the daily struggle to simply survive, has meant that no independent action has been taken by their organisations.

At this stage in Russia, the emergence of capitalism is not therefore threatened with a mass revolutionary movement which has as its goal a socialist revolution, as was the situation in Germany from 1918 to 1933 and Italy from 1919 to 1922. Finally, the experience of Hitler and the Nazis showed to the capitalist class on a world scale the dangers of handing power to a fascist madman. Unable to restrain the Nazis, German capitalism lost everything and found Germany di-

vided.

The very fact that Yeltsin was not able to go down the road of an authoritarian regime after October's attempted 'coup' says a lot about the relationship of class forces. Despite the absence of genuine independent workers' organisations, Yeltsin had to assume a 'democratic' face, otherwise he would have faced a massive backlash from the working class, who would have seen a move to authoritarianism as a reversion to the political forms of Stalinism.

The international experience of fascist and neo-fascist organisations is instructive. In France, Le Pen and the FN have seen their electoral support undermined, partly by the unity generated in the recent strike action of the working class but also because the right wing government of Balladur has stolen their clothes.

In Italy, the fascist MSI was at pains to proclaim in the recent elections that it was not fascist and stood for democracy. Recognising that talk of an authoritarian one-party state would cut across their support, they disowned their past and even went as far as changing their name. In Germany the Republikaners, who are not an openly fascist organisation and distance themselves from the neo-Nazis, have lost some ground to the CDU's coalition partner, the CSU, which has also adopted the tactic of stealing parts of the far-right's programme.

In the not too distant future, a coup or dictatorial rule may be attempted in Russia, perhaps in the name of 'national unity'. If so, it may use the issue of corruption and the criminal activities of the gangsters as an excuse and would adopt nationalist and radical phraseology although, given Zhirinovsky's instability, it is unlikely that he would gain the backing of the military.

The problems of a dictatorial regime would be immense. Public order could not easily be restored when the army and police are so divided and when the regional leaders all guard their autonomy. The imposition of dictatorship could over time radicalise workers and also inflame the national tensions.

Zhirinovsky, if he came to power, would be faced with all of these problems. This raises the question: who would he base himself on? Unlike Hitler, he has no armed bands to lean on, nor a stable class basis to build them on. With what programme would he mobilise the middle layers of society, who face precisely the same problems as those faced by the working class? His foreign policy may be to plant 'Russian boots on the sands of the Indian ocean', but how effectively could this be carried out given the problems amongst Russia's neighbours and the difficulties with the ranks of the armed forces?

Given today's world situation and the general trend towards 'democracy', an openly fascist party cannot hope to build support at the present time. This too applies to Zhirinovsky and the current situation in Russia. □

BEFORE THE EYES of Israeli soldiers, fanatical settler Baruch Goldstein sprayed 110 bullets into Palestinians praying in the Hebron mosque, murdering thirty-nine. The blood that flowed across the mosque floor seemed light years away from the ceremony that greeted the famous handshake of Yasser Arafat and Yitzhak Rabin on the White House lawns last September.

Palestinian outrage boiled over into mass protests in the occupied territories, but also into the biggest demonstrations since 1976 by Israeli Palestinians. Riots spread through Jaffa, a Palestinian suburb of Tel Aviv, Haifa and the Galilee. There was a three-day general strike on both sides of the green line. There were mass protests in Lebanon, Egypt, and Jordan.

of an independent Palestinian state, a revolutionary upsurge amongst the Palestinians looking to the Stalinist bloc for support, would have so destabilised the region that their fundamental strategic interests would have been threatened, not least among them, the supply of oil.

The collapse of Stalinism, therefore, had a huge effect on relations in the Middle East. In this power vacuum, some regimes previously hostile to imperialism were forced into the orbit of the West to secure their stability. The West's price was support for the peace accord.

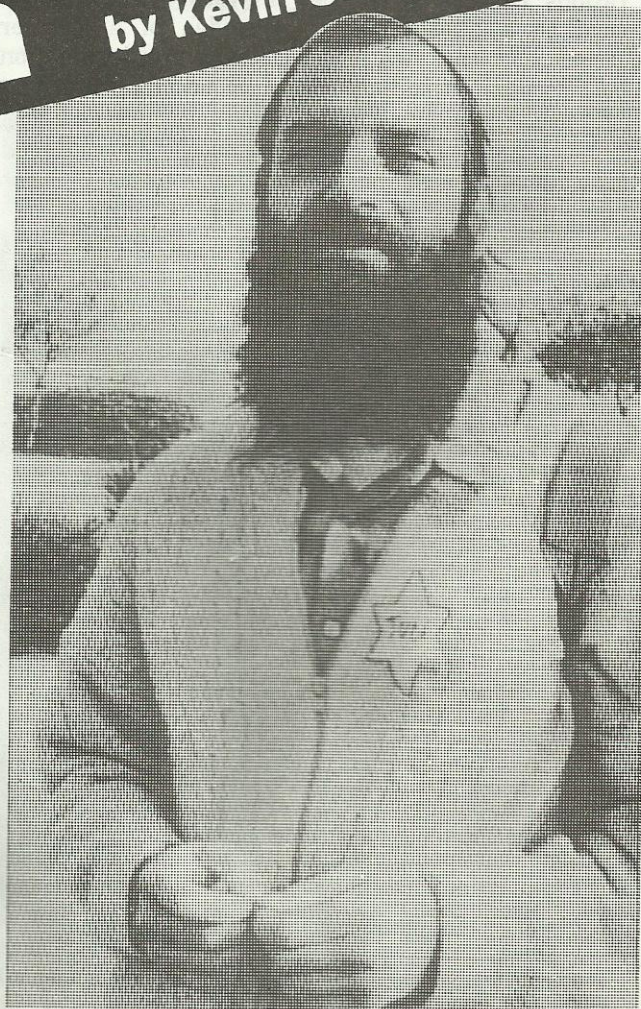
Under the shadow of Hebron

by Kevin Simpson

The Israeli government portrayed the massacre as the actions of a single lunatic. However, it has been the Zionist Israeli capitalist class that has encouraged, financed and armed the settlers since the formation of the Israeli state in 1948. Puny measures were taken in response to the massacre - five settlers detained, a further twenty disarmed, and some restrictions placed on their movement. A thousand Palestinian political prisoners are also to be released.

Despite their pious condemnation, the Israeli government put two million Palestinians under curfew. At least twenty Palestinians were killed in the occupied territories in the following days while, for the first time, a Bedouin Arab was shot dead inside Israel. So what will happen now? Does the massacre mean the end of the negotiations between the Israeli government, the PLO, and the other Arab states?

SEPTEMBER'S PEACE ACCORD represented an important change in the situation in the Middle East. Previously, any agreement between Israel and the PLO would have appeared unthinkable. Imperialism and its client state, Israel, have never been prepared to concede genuine Palestinian national self-determination. They feared that the consequences



Baruch Goldstein.

US imperialism's experience in the Gulf war, despite its victory, demonstrated the extreme instability in the region, exacerbated by the war itself. The growth of radical Islamic fundamentalism across the region was viewed with alarm by both Western imperialism and the Israeli capitalist class. US imperialism saw a regional political settlement as a way of cutting across this development, as well as reducing its large political and financial commitments to the region, especially to Israel and Egypt. They aimed to split the Palestinian masses by using the PLO leadership to implement a deal.

International and regional political factors forced the Zionist Israeli ruling class into signing a provisional agreement with the PLO. They were aware that since the Gulf war, US imperialism was looking for other regimes to rest on in the region. Aid and blanket support from the US for their policies of brutal repression of the Palestinians was no longer guaranteed.

This agreement, moreover, would not have been possible without the intifada. This six-year long uprising brought about a realisation among wide layers of Israeli society that the Palestinians' aspirations cannot be crushed militarily. This led in turn to a questioning of the idea of a 'greater Israel' and the strategic reasoning for holding on to the Gaza strip. The mood of uncertainty about

the future has been exacerbated by a certain war weariness, emphasised by the Gulf war, and the long-term difficulties of the Israeli economy, with the various Zionist capitalist governments no longer able to guarantee health care, education and job security for the Israeli working class.

The Israeli ruling class regard the PLO leadership as the 'lesser evil'.

The growth of radical Islamic fundamentalism and rejectionist secular groups in the occupied territories, at the expense of the PLO leadership, alarmed the Israeli ruling class. The Israeli ruling class now regard the PLO leadership as the 'lesser evil' and saw the agreement as a way of beheading the intifada and isolating the rejectionist groups. They used the weakness of the PLO leadership to grant concessions small enough not to provoke a general revolt among Israeli Jews, but with enough promises of future concessions for the Palestinians to ensure that Arafat could find points of support within the territories.

The peace accord gives limited aspects of self-rule in parts of the occupied territories, with the promise of future status to be negotiated. The Palestinian self-governing authority (SGA) will consist of an area in Gaza and the West Bank city of Jericho. It will be responsible for development, education, social services and collection of taxes. A new Palestinian Police Force (PPF) will be set up to 'guarantee public order and internal security'. The questions of Jerusalem, settlements, security arrangements, and borders, were all delayed until negotiations on permanent status for the Palestinian self-governing authority begin.

Arafat and the PLO signed the agreement because they were desperate for their political survival. Arafat's previous comment on a similar deal offered by the Israelis was that it gave "nothing more than a Palestinian Bantustan". Yet, while these concessions do not come anywhere near to realising Palestinian national liberation, with, for example, Palestinian refugees from 1948 excluded from the agreement, the peace accord was initially greeted with euphoria on both sides of the national divide.

Israeli workers and youth saw the agreement as the first step to a lasting peace in the region. The constant threat of war and the continuing intifada appeared to have been lifted. Even among Israeli Jews who questioned giving 'land for peace', the feeling is that if this is done in conjunction with a lasting peace then the 'problems' in the occupied territories will have to be dealt with by the Pales-



Israeli state crack-down after massacre.

stinian leadership. Amongst Palestinians the initial euphoria quite quickly changed to a feeling of 'give it a chance and we will see what it brings' among the majority, especially an older layer tired after six years of the intifada.

Subsequent negotiations resulted in further concessions by the PLO leadership. The Israeli government has secured final responsibility for external security at the borders, being able to bar Palestinians from entering Gaza. The area conceded around Jericho is only 55sq km. In Gaza, the Israeli army will be solely responsible for areas around the settlements and the roads from the settlements into Israel. There will be a security buffer zone between the SGA and the settlements in Gaza with 'joint control' for both Israelis and Palestinians.

EVEN BEFORE THE Hebron massacre, the PLO leadership was becoming increasingly isolated. There was a growing feeling that nothing had changed: 54 Palestinians and 23 Israelis have been killed, reactionary settlers continued to carry out attacks on unarmed Palestinians, while the withdrawal date for the Israeli army was pushed further back. From the beginning there was a significant layer mainly of Palestinian

ing Palestinians criticising Arafat's undemocratic approach and cronyism in appointments to the new administration. Six Arafat loyalists resigned.

The Hebron massacre brought this accumulated tension to the surface. It pushed those Palestinians who retained hopes for the negotiations into opposition. The PLO's reaction to the massacre was muted at first. But when they saw Palestinian demonstrations in the Lebanon blaming Arafat for the massacre, they called for a UN presence in the territories. Even then their response was cynical. Yasser Abbed-Rabbo commented: "We are looking for the resumption of peace talks. But we have our own public opinion which demands a minimum requirement for the security of the Palestinians".

The Israeli ruling class's response to the massacre reveals the splits and divisions which have surfaced since the start of negotiations. They are in uncharted territory. Previously there was a relatively uniform attitude towards the Palestinians: occupation, brutal repression, and no concessions. The granting of concessions, however small, has revealed differences as to how to proceed, epitomised in the split between Rabin and foreign minister, Peres. Rabin wants to make as few concessions as possible; Peres, representing a more far-sighted section of the ruling class, is prepared to go further.

Rabin recently received a delegation of senior generals unhappy that Peres had given away too much in talks in Cairo.

Pressure has increased on Rabin since the massacre. Many Israeli Jews, horrified by the massacre, blamed the government for not taking more decisive action against the settlers. The massacre has pushed some Israeli Jews to the left. At a Peace Now demonstration on March 5, there were calls for immediate withdrawal from the occupied territories and the closure of the settlements. For the first time several thousand Israeli Palestinians attended this mainly Israeli Jewish demonstration. Reflecting a feeling from below, the press has carried

ried articles pointing out that the security services knew Goldstein was a danger but did nothing. They have also graphically showed the brutal Israeli police response to Palestinian demonstrations inside Israel, and raised wider questions about the social conditions of Palestinians inside the green line.

Rabin was forced in cabinet discussions to concede a supreme court inquiry (broadcast live on Israeli TV) and the possibility of an unarmed international presence in the occupied territories. There has been speculation that he may be re-



youth, the most active in the intifada, who opposed the agreement. They saw the PLO leadership as selling out the struggle and predicted that the PPF will be their new repressors, suppressing opposition to the agreement and to the undemocratic rule of Arafat. But even in exile there were growing questions about the peace agreement.

In the Lebanon, 76 out of 77 PLO military officers came out against the agreement. Only 12 Palestinian leaders out of 18 regularly attend the PLO executive meetings in Tunis. In January a delegation presented a petition signed by 100 lead-

placed by Peres.

Rabin therefore may be forced to go further than he wishes to get negotiations going again. He may propose the closure of the Jewish enclave in Hebron town centre and further restrictions on reactionary settlers. However, revenge attacks by Palestinians could change the present atmosphere within Israel for further concessions.

Despite the mass mobilisation of Palestinians in Israel/Palestine against the massacre, therefore, it is likely that negotiations will be restarted. Both the Israeli ruling class and the PLO leadership fear the alternative. Neither can afford a breakdown in the peace process.

*Even before Hebron there
were growing questions
about the peace
agreement.*

The next few months will probably see intense diplomatic activity where negotiations appear to make headway, punctuated by huge explosions of protest by the Palestinian people, angry at the lack of progress towards genuine national liberation. This will not only be directed against the Israeli state - but against the new Palestinian administration. The new self-governing authority will be pushed at times to the brink of civil war. As a result of the massacre, there will be further growth in support for radical Islamic fundamentalism and rejectionist secular groups such as the DFLP and PFLP. The PLO leadership will veer between repression and attempts to split these groups, by enticing some into the administration with promises of financial and political influence.

That is why they have been desperate to win international aid for the new administration, to gain points of support among the Palestinian population and undercut the rejectionist groups. Some international aid will materialise and even small amounts will have an effect. But the decades long struggle of the Palestinian masses has left a burning desire for national liberation. Improvements in housing, jobs and education, in and of themselves, will only encourage demands for what the negotiations cannot lead to: genuine social and national liberation for the Palestinian people. This contradiction will lead to further convulsions and struggle in the future.

WHILE FURTHER CONCESSIONS are likely by the Israeli state, there are huge obstacles that represent potential minefields for the negotiators. The question of the settlements, highlighted by the massacre, is one of these.

Approximately 116,000 settlers live on the West Bank and the Golan. The housing minister, Ben Elizer, presenting a shift in the Zionist Israeli ruling class's position, recently said that settlements had been built for security reasons and not ideological ones. If security needs were answered (presumably a peace settlement with Syria) then 'painful decisions would have to be made'.

Attempts to move large numbers of settlers back into Israel could provoke a huge right-wing campaign, playing on the deep psychological fears Israeli Jews have for their security. However, in anticipation of this, Rabin announced that before any decision is taken on the Golan there will be a national referendum. At the same time, moves will be made to try and split the settlers by offering financial inducements to move. Recent press reports spoke of a foreign ministry working paper proposing \$300,000 per family, at a total cost of \$10bn. Although officially denied, this led to 1,000 calls to the ministry in one day from settlers who wanted to move.

There are further concessions that the Israeli ruling class can make. The periodic release of the remaining 11,000 Palestinian prisoners can kick-start negotiations when necessary. Concessions will probably be made on water rights and tariffs on agricultural produce from the occupied territories.

But even if the peace negotiations do go further they will not solve the fundamental contradictions in the region. In order to win the struggle for national liberation and socialism, the Palestinian people face the task of defeating the Israeli state.

To do this the Jewish workers have to be split away from support for the present Zionist state of Israel or, at the very least, neutralised. The implacable struggle of the Palestinian people for their liberation will clearly demonstrate to the Israeli Jewish working class that they will never have peace and security if genuine Palestinian national liberation is not won. Their experience in the years ahead that Israeli capitalism can no longer guarantee the living standards of the past will also lead them to question what the future holds. An approach from the Palestinian masses that recognises the genuine fears of Israeli Jews for their security, by giving them an alternative of a joint struggle to overthrow the Israeli Zionist state, the Arab dictatorial regimes, and the influence of imperialism in the region, is therefore vital. Only this can guarantee the right of the Israeli nation to self-determination, alongside a Palestinian state, within a socialist federation of the Middle East.

Imperialism and its client states are responsible for the unending carnage in the Middle East. Future events will show that only the working class and peasant masses are capable of breaking the cycle of violence and using the human and material resources of the region to their full potential, banishing for ever war, poverty and starvation. □

Will Benazir survive?

Farooq Tariq, publisher of Mazdoor Jeddohud (Workers' Struggle), looks at the prospects ahead for Pakistan under Benazir Bhutto.

THE ELECTION LAST October of Farooq Laghasi as president of Pakistan, three weeks after Benazir Bhutto became prime minister, saw share prices rise on the Karachi and Lahore stock exchanges. The chances of 'democracy' surviving had, it seemed, been boosted.

During the previous five years, the presidency's dictatorial powers had been used to remove three prime ministers. The fact that the new president, formerly a chief organiser of the Pakistan People's Party (PPP), was from the same party as the prime minister, was hailed by the capitalist press, which predicted a full five-year term for Benazir.

But how strong is Benazir's government, her second of the last four years? Will she complete her five-year term to become only the second premier, after her father, Zulfikar Ali Bhutto, to do so? What is the present relationship between the PPP and the working class, 25 years after its formation? What are the perspectives for Pakistan's future?

Benazir's marginal victory in the October 1993 elections raised doubts as to whether she would be able to take office once more. But the army and state bureaucracy were determined to bring her into power, so most of the



regional and small parties were persuaded to back her. Strangely, the same army and bureaucracy were responsible for removing her from power only 39 months before. So why were they so keen now?

The previous eight months of political crisis had showed that

the PPP was becoming more and more a 'pro-establishment' party. Moving away from its original ideology and programme, it made all sorts of unholy alliances and unprincipled decisions to come into power. In April 1993, Benazir supported the dictatorial presidential measures that re-

moved the then prime minister Nawaz Sharif. She took important ministries in the caretaker government, although she herself had been dismissed in August 1990 by the same presidential powers. In July 1993, she called off a 'Long March', a mass protest mobilisation, on the instructions of Abdul Waheed Kakar, the military chief in Pakistan, proudly telling the press that it was the desire of the general.

When new elections were called for October after the forced resignation of Nawaz and president Ghulam Ishaq Khan, she nominated feudals and capitalists to contest the elections on the PPP's behalf. PPP activists could not think even of contesting for PPP election 'tickets', as the minimum fee for submitting an application was Rs20,000 (£500). Even the capitalist Muslim League nomination fees were half that amount.

Her election programme was not attractive to the masses. It promised to cut the budget deficit and to continue the privatisation programme of the previous government, albeit 'clean' privatisation - that is, without the massive corruption involved in the state sell-off so far.

The establishment however was keen to bring Benazir into power because Nawaz was expanding the budget deficit like fire. His grandiose projects, like the Lahore to Peshawar motorway, the bullet train and the yellow cab scheme, were simply based on budget deficits. Internationally he was seen as a corrupt politician, which was absolutely true. In fact, Nawaz wanted to become another Bhutto, not based on social reforms and promises of socialism, but on economic developmental demagoguery. He wanted Pakistan to become another Korea, when in reality Pakistan is becoming more of an Ethiopia. He opened the Pakistani market to international finance gangsters but his economic concessions did not bring in substantial investment. His

policy to buy most of the 35,000 yellow cabs from Korea brought him into conflict with other international car companies. His arrogant refusal to devalue the rupee was a point of conflict with the World Bank and IMF.

NAWAZ WON THE 1990 elections with the biggest majority any capitalist party had ever achieved. He had a majority in the Senate, the National Assembly, all the Provincial Assemblies, and on district and local councils over the country. But his economic adventure had a disastrous effect on the masses. During his time in power, wages did not rise, although prices of most consumer goods rose by 80%. He also disappointed the capitalists themselves as they recognised that his main achievement was to develop his own fortune. In 1980 he owned one factory; by 1993 his Itifaq group owned over 30 large factories.

It was only Benazir's absolute refusal to offer any incentive to the masses during the election campaign that allowed Nawaz to increase his support in the urban areas. Nawaz's Muslim League got 41% of the votes compared to Benazir's 38%, on a turnout of 40%, 3% less than the 1990 elections.

Benazir was able to form a government however with the help of the small and regional parties. A breakaway group of the Muslim League now holds the balance of power in the centre and Punjab. The Muslim League Chatha group and PPP have formed the Pakistan Democratic Front (the PPP did not put up candidates where the Chatha League was standing). Nawaz's former electoral allies, the Muslim fundamentalist 'Pakistan Islamic Front', stood independently. But the elections were a crushing defeat for the three Muslim fundamentalist groups. In total they got just 3.5% of the vote and only nine seats in the 240 seat national assembly.

Benazir has come into power against a background of severe

economic and social crises. Annual GDP growth in the 1990s has gone into reverse gear, and is now at 5%, down from 7% in 1991. Last year the budget deficit went up to 181bn rupees, 70% of the total budget. Foreign debt is \$22bn, from \$8bn in 1982. US aid has been stopped since 1990 following a Congressional ban on aid to nuclear-building states. Foreign remittances are down to less than \$1bn, from a peak of \$3bn a year. To make matters worse, cotton production has slumped, when 70% of total exports rest on cotton production.

*Benazir's
government
remains
vulnerable to
all sorts of
pressures.*

Benazir has to clear up the economic mess spread by the Nawaz government. On a capitalist basis this means reducing the budget deficit by cutting expenditure on social welfare, currently only 5% of GDP. Out of 1992-93's total budget of Rs300bn, Rs123bn went to repayment of foreign loans and interest and Rs90bn to the army. Benazir has no intention of attacking this expenditure.

The IMF and World Bank has imposed a 13-point structural adjustment plan which means devastation for the agricultural sector. Most subsidies on pesticides, fertilizer and equipment have been cut. Privatisation of 107 factories and institutions from 1990-1993 could only bring Rs6bn more into the exchequer, when they were hoping for at least Rs300bn. All the myths that privatisation would put Pakistan back onto the road of progress have been exploded. It is seen as handing over state

assets to the friends and relatives of top politicians.

One of the biggest scandals has been the acquisition of massive bank loans for politicians and their friends' businesses - loans which are treated as non-repayable grants. The caretaker government of Moen Qureshi had published a list of 5,000 bank defaulters, most of them from the PPP and Muslim League. The election commission barred some from contesting the elections, but these defaulters simply substituted their brothers and sons - it was all kept in the family.

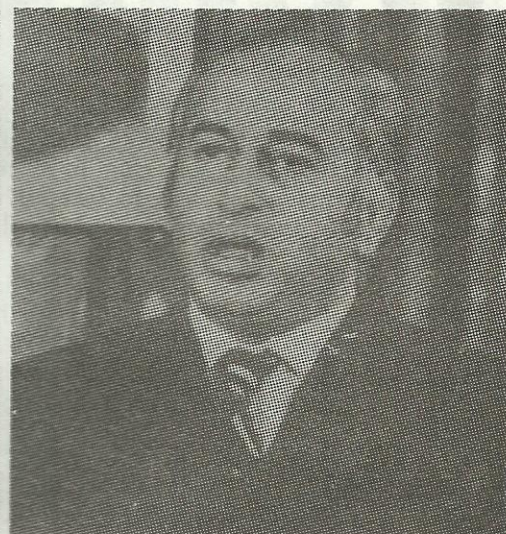
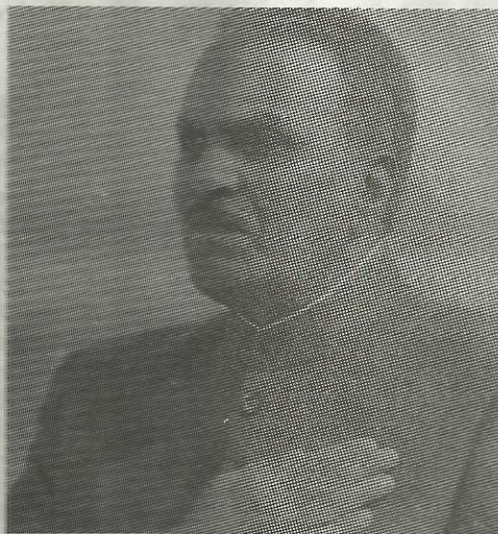
All the medieval symptoms of a corrupt society are found here. The population is split on religious, linguistic and communalistic lines. The national question in Sind, Frontier and Baluchistan has taken several twists and turns and made the situation more complicated. Basically, none of the fundamental problems of the masses have been solved and there is no hope that on a capitalist basis there is any way forward.

THIS IS THE situation in which Benazir has taken over. There is no real enthusiasm among the masses for the PPP government, which, from Benazir's own choice, is in power on a very weak and unstable basis. Consequently, despite the election of a PPP president, Benazir's government remains vulnerable to all sorts of pressures. The continued revolt in Kashmir has brought Pakistan closer to war with India. Although a Palestinian solution for Kashmir has been proposed and negotiations between both countries have started again, the threat of war is still there. Governments based on capitalists and landlords cannot resolve the national question or satisfy the national aspirations of oppressed

nations or minorities. Even the minimum autonomy conceded to Kashmir would intensify demands for autonomy or independence in Assam, Punjab, Mizoram, Tamil Nadu and other states in India, and in Sind and Baluchistan in Pakistan. Any agreement on Kashmir would also give an excuse to Muslim fundamentalist forces in Pakistan and Hindu fundamentalists in India to exploit the situation.

The failure to solve the basic problems of the masses in urban

In order to press on with privatisation, Benazir has not taken a breath before smashing the trade union rights of 150,000 railway workers. The railway unions were banned on the grounds that the railways are vital to Pakistan's military defence! These attacks on an organised section of the working class will not help Benazir's government to prolong its period in power. There is no hope that Benazir will move towards left policies. The PPP of the 1970s is nowhere



Zia and Zulfikar Bhutto. A 1977 situation could happen.

and rural areas will raise tensions. Most small traders and a big section of capitalists still support Nawaz. The 1977 situation could be repeated, when the reactionary forces launched a massive agitation and the Bhutto government was overthrown by a military general, Zia ul-Haq. The Nawaz Muslim League and the fundamentalist Pakistan Islamic Front could again join hands and engage in anti-imperialist demagoguery. Benazir's move towards a more pro-US position would encourage such a development.

It is far from certain then that Benazir will complete a five-year term. If there is mass urban agitation, the military could again step in. But this is not on the agenda immediately. Benazir probably has a year or two before such a crisis point is reached.

to be seen. The word 'socialism' is considered an abuse for most of the PPP's wealthy leaders. The PPP is losing its support among the advanced strata of the working class more rapidly than at any other time. The main beneficiary at present is the Muslim League, because there is no other alternative.

Now some trade union leaders are discussing the formation of a new workers' party. But such a call cannot be accepted as a substitute for a fighting leadership in the trade unions. Trade unions have played a decisive role in defending the workers from the present attacks by the PPP government. Victories in this struggle would open the way to the real possibility of winning advanced workers, and then wider layers, for the creation of a genuine workers' party in Pakistan. □

Nick Wrack looks back at the Portugese revolution, which began twenty years ago this April.

When Portugal went Red

ON 25 APRIL 1974 a revolt by junior officers overthrew the 48 year-old Portuguese dictatorship, ushering in a revolutionary period which was to last for over a year and a half. In that time the working class had the opportunity to take power into their own hands and create a socialist Portugal. The international capitalist class more or less gave up hope of ever seeing capitalism there again. Yet after coming so close to carrying out a successful socialist revolution, the Portuguese workers ended up still so far away.

In 1974 Portugal was the poorest country in Western Europe. It was a society dominated by a handful of powerful monopolies, with trade unions outlawed and a vicious secret police force, the PIDE, to keep the workers in grinding poverty. Inflation was about 30% and accelerating. Unemployment was growing rapidly and industrial unrest was escalating.

Revolution starts at the top. The accumulation of opposition to the fascist Caetano regime permeated every layer of Portuguese society. It was the policy of trying to keep control of its African colonies in Guinea-Bissau, Angola and Mozambique that precipitated the downfall of the regime.

For thirteen years the Portuguese army had been fighting the national independence movements, consuming almost 50% of government expenditure. The economic and social crisis provoked splits within the ruling class. The big monopoly capitalists objected to such an amount being spent on colonial wars which they, and sections of the armed forces, realised were unwinnable. Spínola, a senior army general, wrote a book, *Portugal and the Future*, advocating 'federation' with the

colonies, but not independence, as a cheaper way to exploit their resources. Many young junior officers were also influenced by left-wing ideas picked up while students, reinforced by their experiences in the colonial wars and the situation back home. Disaffection spread through the armed forces and desertions increased. Junior officers set up a clandestine organisation, the Armed Forces Movement (MFA), and made preparations to overthrow the regime. On 25 April the resistance song *Grandola vila morena* played over Rádio Renascença was the signal for their coup. Support for the regime evaporated and Caetano, left high and dry, was defeated.



With this act the MFA had detonated a movement of the working class that was to push it further and further to the left in the months ahead. The working class took the dictator's fall as the signal to wipe out all trace of the fascist era. Five thousand workers gathered outside the notorious Caxias prison and forced the release of all political prisoners. Their places were quickly taken by the PIDE agents and other fascist collaborators.

A process of 'cleansing' began, with former collaborators purged from the workplaces. In the schools and universities students formed committees to support the revolution. Workers took over the press. Squatters from the shanty towns occupied empty living quarters in Lisbon. On May Day over half a million demonstrated in Lisbon. Sailors carried banners calling for socialism. Red carnations, the symbol of the revolution, sprouted from the barrels of the soldiers' rifles.

A tidal wave of strikes and occupations swept the workers forward. Over 8,000 workers occupied the giant Lisnave shipyard. Hotel workers and miners, taxi drivers and university canteen staff stopped working. 1,800 workers occupied Timex. By the middle of May over 200,000 workers were on strike in banking, textiles, chemicals, electronics and fishing. Train conductors let passengers travel for free. 20,000 metal workers marched through Lisbon demanding higher wages. 1,400 merchant seamen radioed their support from the ocean while 600 fellow workers on land occupied their offices.

Spínola could do nothing faced with the eruption of workers' militancy.

But all this was moving too quickly for the military junta set up on 25 April by the MFA, headed by General Spínola. Although Spínola had played no part in the coup the junior officers, moulded by their military outlook, wanted the authority of the high command to sanction their actions. Spínola was a consummate representative of the old regime, a former director of the two biggest monopolies, a volunteer soldier for both Franco and Hitler, whose actions in Africa had earned him the title 'butcher of Angola'. Sur-

rounded by rebel forces on 25 April, Caetano had begged Spínola to take over the country "as the only man who could save it".

But Spínola could do nothing faced with the eruption of workers' militancy. To hold back the revolutionary flood he was forced to lean on the Socialist Party (SP) and Communist Party (CP) leaders.

IN THE REVOLUTIONARY atmosphere after 25 April both the CP and the SP mushroomed. A host of other left organisations flourished. The CP had been the best organised left party under the dictatorship and was well placed in many workplaces. It controlled the newly emerged Intersindical trade union federation.

Had either the SP or the CP followed a Marxist approach to the revolutionary events unfolding, the Portuguese working class could have taken over society almost at will in the course of the following months. Instead, from the very beginning, both parties did everything possible to try to control any independent revolutionary initiative by the working class.

Mario Soares, leader of the SP, and then Álvaro Cunhal, leader of the CP, returned from exile. What was needed was a call to step up the occupations, to build the workers' committees springing up in the various workplaces, and to link these together through workers' councils, or soviets, where the

working class could wield the power it was beginning to realise, in order to bring the control of society as a whole within its grasp. Instead, both leaders slavishly presented themselves for duty in Spínola's provisional government. The CP and SP leaders had learned nothing from history, especially the lessons of the defeat of the Chilean revolution at the hands of the military only seven months earlier.

The provisional government was a coalition of parties, including the newly-formed PPD set up by bourgeois politicians with ties to the old regime. This government, which attempted to unify parties representing irreconcilable class interests, was a new variant of the 'Popular Front'. Spínola and the bourgeois needed the CP and the SP in the government to prove its commitment to 'democracy' and opposition to fascism. But by participating in this version of class collaboration Soares and Cunhal, by giving the government their seal of approval, were providing a way back for reaction which had been thoroughly shattered by the events of 25 April. In the 1930s Trotsky described the



Socialist Party leader Soares.

Popular Front as a 'strike breaking conspiracy', and now the CP leadership in particular played the role of strike breakers to perfection.

CP member Avelino Gonçalves was made Minister of Labour. The CP proceeded to attack strikers for adventurism and on 19 June the government threatened to use troops against striking postal workers. The CP daily paper, *Avante!*, even criticised the bosses for conceding wage increases which were too high! A restrictive strike law was passed, curtailing the right to strike which workers had so recently assured for themselves in action.

The SP was pushed by events and the mood of the workers further to the left and Soares declared that it stood on a Marxist programme. Party membership soared from 200 at the time of the coup to 20,000 by September. However, Soares always leaned more to the leaders of international social democracy, like Willy Brandt, and to the wishes of imperialism, than to the needs of the working class. But to satisfy his mentors in the Second International he had first to tame the revolutionary lion.

Spínola and the Junta were coming increasingly into conflict with the MFA. The Junta represented the remnants of the old regime while the MFA was feeling the pressure of the masses from below. When Spínola was denied greater powers by the MFA the first provisional government fell and Spínola was forced to appoint a new premier, the pro-CP Vasco Gonçalves. There were to be six provisional governments in total, revealing the instability of the period. Spínola could no longer hold the line for the capitalists on the African colonies and on 27 July announced his "immediate recognition of their right to independence".

A revolutionary guard, COPCON, was established under the direct control of the MFA and headed by Otelo de Carvalho, to counter the traditional line of command emanating from Spínola. The government was unable to implement its strike law effectively as soldiers fraternised with workers when sent to deal with disputes. The workers' confidence grew but the participation of the CP and SP in the government and the lack of a clear revolutionary programme around which the working class could organise, gave the right the illusion that the time was right to try their hand. In any revolution, if the process is not carried

through to a conclusion, with the working class organising itself as the new rulers of society, the old regime will attempt to make a come back. Spínola decided on a show of strength to counter the swing of power towards the leftward-shifting MFA. He called a demonstration of the 'silent majority' for Lisbon on 28 September.

This was seen by the workers as a struggle over the direction of the revolution - forward to socialism or back to capitalist reaction. Workers, some armed, set up roadblocks to stop the demonstration from taking place. Spínola's support inside the armed forces evaporated. The MFA and COPCON were in control, thanks to the workers' actions. Spínola resigned. Widespread arrests of rightwing officers and civilians followed.

FROM APRIL TO September both Soares and Cunhal had backed Spínola as a defender of democracy. They now supported the MFA's appointment of another General, Costa Gomes, as president. Yet a clear socialist call to the armed forces' rank and file and the radical officers could have won them over to the programme of workers' democracy. The demand for the election of all officers, for a workers' militia under democratic workers' control, for councils linking the workers, poor peasants, soldiers and sailors, combined with a clear slogan of 'take over the monopolies and the land', could have forged a genuine, democratic revolutionary movement which would have been absolutely irresistible. A peaceful transformation of society could have been carried out given the strength of the working class and the weakness of reaction, revealed by their pathetic showing on September 28. Only the false policies of the workers' parties' leaders prevented the working class from taking power and constructing socialism.

In the absence of a determined move by the working class to consolidate the revolution, Spínola decided on a more decisive bid for power. On 11 March 1975 troops loyal to Spínola attempted a coup but his forces crumbled in the face of opposition from the rest of the military and the working class. Spínola fled to Brazil to plan his return.

In the face of the coup attempt, bank workers occupied the banks refusing to leave until they had been nationalised. The newly appointed Supreme

Revolutionary Council had no option but to accede to their demands. In one fell swoop the nationalisation of the banks brought up to 50% of the economy into state hands. This step enormously boosted the popularity of the MFA and strengthened its left wing.

The MFA was playing a more central role in events than many of its members would have anticipated at the beginning, balancing between the revolutionary aspirations of the working class and the



COPCON leader De Carvalho returns from Cuba.

counter-revolutionary pressures of the weakened capitalist class. These forces inevitably manifested themselves within the MFA itself. A section was now undoubtedly leaning towards the idea of establishing a 'workers' state' but 'from above', resting on the movement of the working class beneath it. Otelo de Carvalho, for example, was undoubtedly influenced by the example of Fidel Castro and the Cuban regime. The CP, trailing behind the radical wing in the MFA, also moved in this direction. For a period it looked as though the MFA may well move to establish a regime like Cuba or the Soviet Union, where capitalism and private land ownership were eradicated but where the working class had no democratic control over production or society as a whole.

As many workers worried at the prospect of a new dictatorship, this time of the Stalinist variety, support for the SP grew, reaching 60,000 in early 1975. However, not only was it winning support from within the working class but it was also utilised by the right, financed and advised by the CIA, who saw it as a weapon against both the CP and the revolution itself.

In elections held in April 1975 the SP emerged as the strongest party, winning almost 38% on a 92% turnout. The PPD won 26% while further to the right the CDS received 7.6%. The CP won 12.5% and its ally, the MDP, just over 4%. However, the MFA had made all these parties sign a pre-election 'pact', basically removing any power from the elected Constituent Assembly and accepting the leading role of the MFA.

A struggle began between the MFA radicals and the CP on the one side and the SP, which campaigned against the setting up of a 'communist dictatorship', on the other. But the SP failed to counterpose the programme of genuine workers' democracy to the threat of Stalinist dictatorship. It backed a vague defence of 'democracy' which meant, in reality, a return to the dictatorship of capital which had been left suspended in mid-air by the revolutionary advances.

With the delay in completing the revolution and the worsening economic crisis the right was gaining confidence. In the rural, Catholic North, there were violent attacks on CP offices. Support for such reaction could have been undermined with a socialist programme, cancelling the debts of the small farmers to the banks, guaranteeing them free credit and by explaining that the expropriations of the *latigúndios* in the South did not threaten their



Sailors join the revolution.

small holdings or mean forced collectivisations. In the absence of this, opposition to the regime grew.

UNDER THE INCREASING class contradictions the fissures within the MFA intensified. Reflecting the differentiation taking place within the rank and file was the creation of the new radical 'Soldiers United Will Win' (SUV) and the more moderate United Military Front (FMU).

Still the forces of reaction were incapable of moving decisively but the prevarication and lack of direction was playing into their hands. Against this background the 'moderates' within the MFA around Melo Antunes and others, were reasserting their position. Gonçalves was forced to resign as premier and the 'Group of Nine', supported by the SP and the PPD, emerged as leaders within the MFA, criticising the pace of nationalisations and opposed to any more taking place. However, their attempt to re-establish 'orthodox military discipline' was resisted by the ranks, now including conscripts who had experienced the revolutionary atmosphere in the streets and factories.

The MFA and COPCON were in control, thanks to the workers' actions.

In the North soldiers at a military driving school rebelled and occupied their barracks in defiance of their new 'moderate' regional command. On 27 September COPCON refused to intervene when left-wing demonstrators set fire to the Spanish embassy in Lisbon. At the end of September an open split developed between Otelo de Carvalho and the government.

Occupations of land and workplaces continued. In October and November 1975 the number of land occupations were twice that between April and September. The number of factories passing into self-management more than doubled. The struggle between the contending forces for control intensified. Throughout October and November rumours circulated of coups being prepared by both the right and the radical units within COPCON. Demonstration and counter demonstration were called by the CP and the SP. The government was purging the CP from the ministries. On 13 November 30,000 building workers surrounded the assembly trapping the ministers and delegates inside. COPCON troops, called by the government to disperse the workers, refused to intervene. After a day locked up the government capitulated and conceded all the workers' demands,

including the nationalisation of all building sites and higher wages.

Two companies of military police refused to embark for Angola, 1,000 rifles went missing from the stores and units were coming over to COPCON, swearing allegiance to the working class and to the armed defence of the revolution. On 21 November the government signalled its own impotence by going 'on strike'!

The right had to move now or the momentum of events could soon deprive them of another opportunity. The Supreme Revolutionary Council dismissed Otelo de Carvalho and suspended COPCON. That in itself would have been meaningless if there had been a revolutionary understanding of the steps needed. But no call to arm the working class to defend the revolution was made. Instead everything was taking place above their heads.

Right-wing farmers set up barricades on 24 November in an attempt to isolate 'Red Lisbon' from the rest of the country. On 25 November troops led by Lt. Col Eanes occupied the air bases, military police barracks and those of the radical army units. A state of emergency was declared and, offering little resistance, the radical forces were defeated. There was minimal response from the workers. They had been by-passed by the events. No serious attempt had been made by the CP or by the MFA radicals to involve them. They had been regarded as no more than an auxiliary in a struggle for power between factions at the top.

Had the working class been mobilised independently with a strategy to carry the revolution to a conclusion, it could have won over the radical soldiers and squashed the right like a pea between a finger and thumb. The key element missing was a genuine revolutionary party capable of leading the working class to power. The CP was incapable of playing such a role because of its adherence to the ideas and methods of Stalinism, while the SP proved wedded to capitalism under the guise of social democracy. Despite the proliferation of left-wing organisations, including two which claimed to be Trotskyist, none proved capable of elaborating the necessary programme, strategy and tactics.

AFTER THE NOVEMBER coup the counter-revolution gathered pace. The coup confirmed the rule of the SP but having dealt with the CP and the radicals its task was to gnaw away at the gains of the revolution to allow capitalism to operate freely once more. Such had been the inroads made since 25 April however that this had to be done very carefully.

Purges began inside the armed forces and the collaborators of Caetano and Spínola were released

from prison, including the former head of PIDE and many PIDE agents. But the weakness of reaction meant that the counter-revolution could not take the bloody form it had in Chile under Pinochet.

Bank workers occupied the banks until they had been nationalised.

In the constitution approved on 2 April 1976 the nationalisations effected since April 1974, which had brought 75% of the economy into state hands, were deemed to be the inalienable conquest of the working class. But with the capitalists once more in the saddle this was nothing but a formal acknowledgement of how near they had come to losing everything. They were prepared to concede in words what they would never willingly concede in practice. In retaining power the capitalist class, through the SP, laid the basis for the gradual handing back of companies to their former owners.

Such an opportunity lost! At almost any time between April 1974 and November 1975 the work-

ing class could have taken power peacefully if only it had been conscious of the steps necessary. A socialist revolution would have had a dramatic impact on the working class in neighbouring Spain, then stirring against the rotting Franco regime, and much further afield. A small country with a working class numbering no more than three million shook the ruling class internationally as they saw their system teeter on the brink.

The betrayal of the Portuguese working class by the 'Socialist' and 'Communist' party leaders

saved Portugal for the bosses and consigned the workers and peasants to another two decades of struggle. In 1984 the SP-PSD (the renamed PPD) coalition invited Spínola to preside over the official 10th anniversary celebrations of 25 April!

Today, the Portuguese working class face rising unemployment, a pay freeze, and the continued privatisation of state assets, including the banks. Illiteracy is around 20%, reaching 40% in some rural areas. The tasks posed by the events of twenty years ago still confront the Portuguese working class. The one-day public sector strike in January this year indicates that Portugal is joining in the European-wide workers' struggle. The lessons of the revolutionary events of twenty years ago will prove invaluable in the struggles ahead. □



Pro-CP PM Gonçalves.

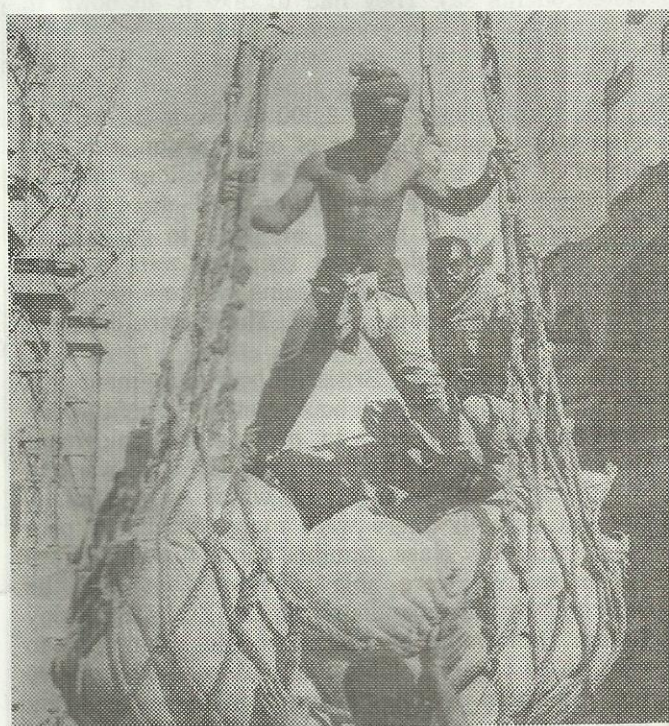
Breaking the chains

The Natal strikes of 1973 were a key episode in the re-awakening of the black working class after the repression of the 1960s. While in South Africa, Militant Labour's General Secretary, Peter Taaffe, spoke to David Hemson, a prominent supporter of *Congress Militant*, the paper of Militant Labour's co-thinkers in South Africa. In the early 1970s David was a leading organiser of black workers in Natal, and was involved in the formation of a number of trade unions after the Durban strike wave of 1973.

Banned in March 1974 he went into exile in 1976. He returned to South Africa in 1990, receiving a hero's welcome at a mass ANC rally in the Valley of a Thousand Hills. He has spoken since on many occasions about the lessons of 1973, most recently at an anniversary dinner organised by COSATU.

PETER TAAFFE (PT): Tell us about your efforts to organise trade unions in the Durban area in the early 1970s.

DAVID HEMSON (DH): By the early 1970s very few of the unions that had organised African workers had survived from the 1950s. There was a feeling that unions led to people getting banned, harassed, jeopardising your job and so on. Because of this, when I was a student at the university, we - we are talking about a group of students who formed something called the 'wages commission' - we looked at ways of using whatever channels there were to try and get workers to be able to take at least certain legal actions in their own interests. So we started issuing pamphlets, informing workers in specific sectors that a wages board would be taking evidence and that in the past workers had been denied the right to present their case. Then we would explain where the sitting was, the date, the time and place and how to get there,



The Durban docks, birthplace of the SA TGWU.

and to bring demands to this meeting. For the first time for about 12 years workers were again present at these meetings.

I can remember a case when we had a wages board investigation into the docks. The employers were quite relaxed when I arrived, lolling around in their seats, chatting and joking. Suddenly the workers started coming in and in the end we had 400 workers at this wages board sitting! The employers firstly became irritable and then nervous. The wages board was sitting right against the far wall - as the meeting went on the employers were moving their seats closer and closer to them!

PT: Were these dock workers organised into unions?

DH: There were no open organised groups at this stage. There were underground groups of workers but even though I was close to the workers I didn't know who was in these underground groups. How I knew that they existed is because we put out a pamphlet inviting the workers to respond and, just before the wages board sitting, an eight page explanation of their predicament with about 12 demands, very clearly put, excellent arguments, was sent to our wages commission (which was really an action group). We had it translated into English and we presented it to the wages board.

Now the employers were getting nervous because they had never encountered this number of workers at a wages board sitting. Normally these sessions only take ten minutes with a cup of tea and a little chat with the employers. This took a whole day. Every worker who had a point to make insisted on his say. They had to take it all down in evidence. It was an enormous success.

After that, and a few other meetings like that, we then called a meeting generally about wages in Durban and more than 2,000 workers turned up. That was despite the fear of organisation, the confusion of that time. We had a marvellous meeting in which worker after worker said now we are prepared for trade unions, we want to go back to the idea of struggle. Even then we were a little bit cautious because while some workers were for, others were still quite scared. There were different layers.

So we studied the British labour movement and found that in British labour history benefit societies had been set up, to provide unemployment benefits for the workers and so on. The workers wanted a death benefit fund, which sounds macabre but actually there were many deaths in poor black working class families and funerals were expensive. We were able to cover that and the workers were tremendously keen. Every Saturday Bolton Hall would be full of workers coming in to sign up. It became so popular that people who were not industrial workers wanted to come and join, even African small businessmen. But the core of it was industrial workers, the dockers, the abattoir workers, railway workers, metal workers and textile workers. From that we then selected people, or they selected themselves really, to come and help administer the fund. From then the development of the unions started to take off. All this was before the mass strikes of 1973 - we got a certain infrastructure going before the strikes.

PT: When did this actually take place?

DH: Between 1971 and 1972. By the end of 1972 the temper was beginning to harden.

PT: Did you get harassment from the state, the police and so on at this stage?

DH: What was so curious about it was that we

seemed to have gotten a formula which put them on the wrong foot. I had been a student activist and had organised many illegal demonstrations in Durban up to then and the state had come down with a heavy hand, a number of white students were banned and so forth. But there was a certain resistance on the white campuses and it was also beginning on the black campuses.

But when it came to the workers' movement there was a certain hesitation before moving into mass action. Workers had to think of their jobs. Jobs were scarce - you lost everything when you lost your job. There was the labour bureau pass system - if you lost your job you then didn't have the right to live in an urban area.

What happened with the dockers, who were totally dissatisfied, was that when the wages board investigation eventually pronounced that they could have an increase, the workers said, to hell with this. We had deep discussions with them. We drew up a coherent set of demands and we managed to get a sympathetic journalist on one of the newspapers to slip them in on Sunday night, to appear on the Monday morning. They appeared on the front page and the workers were thrilled. I don't know how it got past the editor but it was brilliant. The workers were dancing in the streets, there was a huge confrontation, and the police rushed down.

Although there was force used by the state, the strike went on for days. Then the workers retreated. They didn't get all that they wanted but that was the swallow declaring the spring. Although it was not an all-out battle it showed the mood was hardening and that workers were not prepared to put up with their conditions.

I didn't expect what happened next, in early February 1973. You could see that something was happening, an unusual mood of confidence was developing. What took place next was some of the most oppressed layers of the working class leading a strike movement.

PT: Was it true to say that the action of the dockers and the publicity surrounding that acted as a spur and stirred up these layers to go into strike action?

DH: For sure. Many of these workers had connections with each other, from the docks to the brickfields. People had homes in the rural areas and in the urban areas. Then it got into the newspapers and people, looking at the whites as a block, actually realised that the whites were divided. Once the workers sensed there was a division of opinion over workers' rights, once they saw that the dock workers were having their demands published, everything started to move.

The brick workers came out and went to the huge textile mills - some of the largest textile mills in the Southern hemisphere. Those came out on block and from then on it spread into a period of

rolling strike action which became in a sense a general strike in Durban.

PT: Could you tell us roughly how many workers came out?

DH: The official figures show that something like 77,000 workers came out in the period from late January to about May. Just to give a sense of perspective on that figure, when you had a working class of about seven million at that time...

PT: How many workers were there in the Durban area?

DH: About half a million industrial workers. The important point was the dynamism of that strike. 77,000 in three months. In the twelve years prior from 1961 until 1973 only about 10,000 workers took strike action. You can see how history had been speeded up.

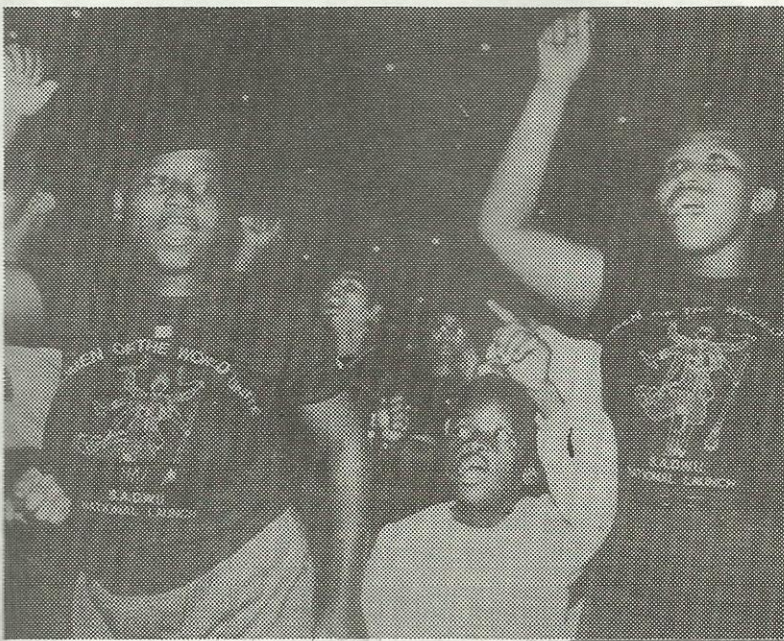
Let me give an idea of the atmosphere, the mood. During strikes the mood is usually quite high, a lot of celebrating, a lot of joking, although during a long drawn-out strike it may be different. This strike was a celebration, of breaking the chains. Workers would come out in one factory, they would march down the road, they would meet on the gates of the other factories. There would be a discussion and eventually they would come out and then they would march onto the next factory. It was a rolling struggle with extraordinary proportions.

One employer later told me that as soon as the strikes took place he immediately gave an increase of two rand which he thought would keep the workers quiet. But there was such a wave of strike action taking place that the workers at his plant actually came out two or three times after then, not making demands for anything more actually, although they were not satisfied, but simply out of class solidarity they came out and joined in the strike demonstrations up and down the streets.

It developed an extraordinary momentum. Throughout this the press were stunned by the developments. We had TV crews coming from all over the world. For the first time it was clearly put onto the agenda that there was a black working class in South Africa and, more to the point, that this working class was going to determine the whole direction of the struggle in the future.

PT: After this wave, the trade unions were formed. Give us the details of that and an idea of your role in the formation of these unions.

DH: I gave a picture of caution on the workers' side at the beginning. After the strike there was elation - everyone was prepared to go for it. We



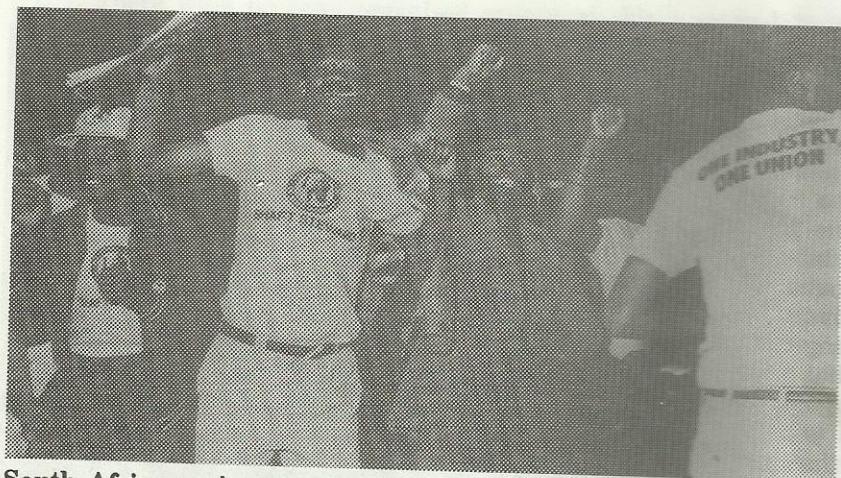
Domestic workers organise.

were looking for people who could actually take over and run the unions, people who would become officials, who would persist and organise, who would be prepared to accept something less than even a workers wage at the beginning. But there was such a pitiable education system that very few people actually had the writing skills and even the 'social skills', the confidence to pick up the phone and talk to a white manager and tell them, 'look - our demands are the following. I'll ring you back in half an hour to hear your response'. They'd say 'you do it, you do it'. We'd say 'no, you've got to do it'. Things like that. We had to train people, because the phone system was so primitive in the African areas, to use the phone confidently.

PT: You say 'we'. Was it predominantly people like yourself with a group of African workers or was it white and black involved?

DH: Let me explain how we got a kind of a cadre going in the beginning. First of all we, 'we' being the few white students who were serious about doing this, went to find the old stalwarts of the ANC. They were rather uninspiring at that time, many of them were demoralised, didn't really understand the role of the trade unions and so on. But we did make some connections through them to people who had been leaders of SACTU unions in the 1950s or who had participated in strikes. We drew up a list of them, found them and brought them into administering the benefit fund. Then we crystallised groupings within the benefit fund into unions.

We started with the textile unions because the mood of the women textile workers was the best. They were determined to change things and they also had confidence that they were the key to



South African miners on strike.

production. Those women were tough and were very independent. They became the core of the union.

We wanted a former SACTU organiser to take over as the first black general secretary of a union after more than a decade of repression. The security police called in at the union office and said, 'we hear that you're going to have a meeting to convene a union. We want to tell you that this man has got a political record. He has committed political crimes in the past and he is not allowed to be a candidate for a union position'. They threatened him and warned him that if he took one step out of line that would be the end of him.

We were in a very tight situation. We didn't want to stop the launch of the union and so we launched it with one of us taking the job. So we had a white general secretary at the start, although the former SACTU worker actually did much of the work, a brilliant organiser, someone who really understood what was taking place.

From then we started to develop, but in very difficult conditions. People were always being harassed by the security police. It was a reign of intimidation, of constantly wearing away any support the unions had. It needed a number of people to take quite heroic action, who could have been in deep trouble if the authorities had tried to get tough.

From then on also the political activity started. Immediately there was discussion about the revival of Congress in some form or other. There were debates about how to control the corrupt councillors in the townships and how to get rid of the council system.

PT: So the development of the trade unions was a spur to the revival of political activity?

DH: That's exactly it. People took a lot keener interest in the current political issues and what was happening in the ANC in exile and in having political discussion groups. You know, a lot of people talk about the unions being economic

organisations. They were even criticised by the Stalinist leadership in exile as 'economistic' organisations. Firstly, tell me a union which shouldn't take up industrial issues. They would never have a mass base otherwise. But while formally they were economic instruments, and during meetings the questions were mainly on industrial issues, the workers discussed politics, they knew what was going on.

In the townships the comrades of the guerilla underground would want to discuss with us - there was never any of this hostility to the trade unions, typical of the exile leadership, on the ground. All that had to be organised. The exile leadership had to try and fragment and divide what was already unified. Now of course it is partly being re-unified again but it has taken decades of wasted effort.

But anyway, come what may, the unions developed and from quite small beginnings the unions have really developed extraordinarily rapidly.

One point - I was criticised in a book a while ago saying I was too slaphappy, too enthusiastic about forming one union after another. I was even condemned for putting someone who was just operating a photostat machine for the union in as an official, before he was fully equipped for the job. We should have had someone better trained etc. Of course we worked with who we had. The point was there was a sense of urgency. We had made a breakthrough and we wanted to push it further. We knew we could push it and push it but we didn't know how long the piece of elastic was before it was slapped back into our face. We knew that repression was coming at any moment. Every day we expected to be picked up by the security police. The original group had about nine months of industrial activity and almost every week there was a strike. Those were crazy days!

PT: How many unions were you actually involved in the initial formation?

DH: First of all there was the textile union, which started off as the National Union of Textile Workers and is now called SACTWU. This was the first African trade union, or rather an open union but with African members, that was formed. I was involved in the preparation and launch of that union. I was involved in the launch of the Metal and Allied Workers' Union which is now known as NUMSA, which is actually probably the best organised with the best educated cadre of the unions in South Africa, with that tradition developed in Natal.

Then I was involved in the launch of the Chemical Workers' Industrial Union - that was the one about which I was criticised for pushing the pho-

tostat operator to be an official.

PT: How many people did you have at the beginning?

DH: With the Chemical Workers we started off with about 300 at the meeting...

PT: Who convened the meeting?

DH: I helped convene it but it was convened by the workers who came together in the benefit fund. Then we decided to break out of the benefit fund and become a fully fledged union.

And then there was the Furniture, Timber and Allied Workers' Union, which has been absorbed into another union now. And the Transport and General Workers' Union which organised the abattoir and dock workers and other transport workers.

PT: Can I put it another way. Were there any unions which exist today which you weren't involved in?

DH: Yes, I wasn't involved in the Mineworkers' Union which was a huge job, we recognised that as a job of historic proportions to organise the mineworkers. And I wasn't involved in the Commercial Workers' Union although I was invited to become an official of that union, but I wanted to organise industrial workers rather than commercial workers.

PT: However, in relation to the NUM, it is true that *Congress Militant* supporters in exile were instrumental in discussing with people such as James Motlatsi who were there at the beginning of the revival.

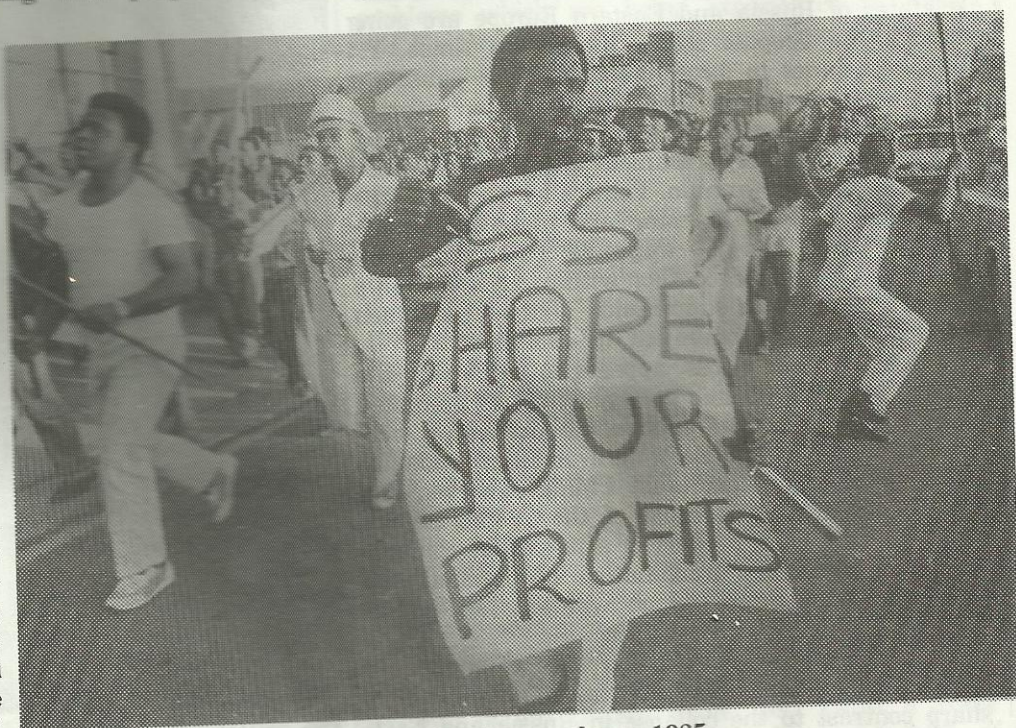
DH: Yes, that's right. There were all kinds of possibilities opening up and some of them were not going to lead in a good direction. We were able to discuss with the unions in exile the kind of strategy and tactics that could be taken up and I think that the success of the NUM depended a lot on the courage of the people who were prepared to undertake dangerous activities but also on the kind of fund of experience and theoretical understanding that

Congress Militant had to pass onto the unions.

I was speaking to someone I hadn't expected to mention *Congress Militant*, or actually *Inqaba Ya Basebenzi* which was our theoretical journal, who was an official of the Transport and General Workers Union during the 1980s. She said that every moment she would be waiting to get her copy of the journal because all of the union's political education was geared around *Inqaba*. She said that if it didn't arrive she didn't know what to do because it guided her through the most difficult times, when there was a lot of infighting in the unions over this strategy or that strategy. And then the Stalinists tried to organise something which they called the populist unions, which were to organise all unions on a non-industrial basis as the way forward, and they criticised the other unions as being inherently economistic. They had all kinds of these arguments.

Looking back now you can see that they were not well-founded but these arguments were intense then. They were important but to some extent they were artificially stoked up by the Stalinists to try and divide the movement and squash any opposition to their rule so unfortunately they were not as theoretically productive as they should have been. Fortunately in *Congress Militant* we were able to steer a path through all this muck.

The point about the unions is that they have to be involved in economic struggle, it's crazy to say otherwise, but where that ends up in a reformist attitude, that's something else. But by and large the unions that were set up in the 1970s kept their tradition of bridging the economic, industrial and political questions. □



A strike by Durban bakery and dairy workers, 1985.

How can China's 'economic miracle' and, since Tiananmen, its apparent political stability, be explained? Lynn Walsh looks at

CHINESE THE PUZZLE

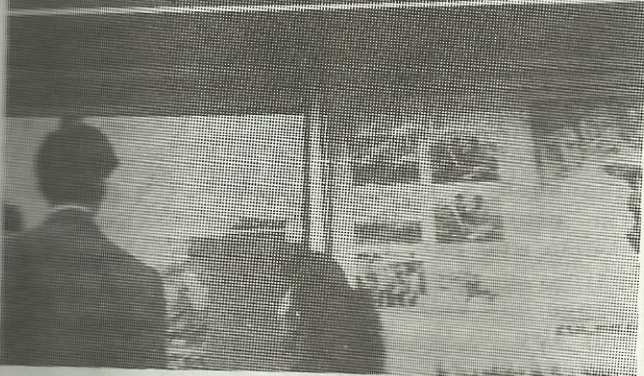
CHINA, IT SEEMS, is different. Since 1989 the advanced capitalist countries have been experiencing recession and only feeble economic recoveries. Most of the economically underdeveloped world has been plunged even deeper into crisis. The former Stalinist states of Russia and Eastern Europe are going through the deepest slump in modern times. Yet China continues to forge ahead. After a 'pause' (at about 4% growth) in 1990, following an average annual GNP growth of 8.9% during the 1980s, China has currently resumed growth of between 10% and 13% per annum. Politically, moreover, the leadership of Deng Xiaoping and his economic supremacy, Zhu Rongji, appears to have been consolidated, despite conflict within the leadership following the brutal suppression of the Tiananmen Square democracy movement in 1989.

China, in other words, appears to be defying the laws of politico-economic gravity. This has prompted many commentators to speculate about a new 'economic miracle' in the East, or even internationally, led by a resurgent capitalist China. However, like the US-based Reagan boom of the 1980s, China's rapid growth is the product of a particular conjuncture - a temporary combination of national and international factors - which will not last indefinitely.

The rate of growth and the pace of change in China has certainly been extraordinary, and in sharp contrast to the collapse in Russia and East-



邓小平新闻摄影在中央。 - 光明日报



The cult of Deng Xiaoping persists.

ern Europe. What explains this? Has economic planning, based on the nationalised industries, survived better in China? Or has the bureaucracy successfully managed a smooth transition to capitalism? What precisely have been the sources of growth over the last decade or so? To what extent has rapid economic growth brought about changes in the underlying social structure of the Chinese state?

Growth in the rural areas

THE SOCIAL CHARACTER of China is markedly different from that of Russia and other former Stalinist states like East Germany, Czechoslovakia, and Hungary, which are overwhelmingly urbanised, industrialised societies. At the beginning of the 1980s, 70% of the workforce were employed in agriculture (currently 60%) and agricultural output accounted for about 30% of GDP (currently 23%).

The opportunity of stimulating agricultural output, therefore, opened the possibility of the *gradual* introduction of market forces and of fostering capitalist elements, without the precipitate collapse which followed the 'reform' of state industries in Russia and Eastern Europe. As productive potential and consumer demand in rural China had previously been suppressed by the bureaucracy (in favour of the development of heavy industries), it was possible, through setting higher purchase prices for agricultural products, to stimulate rapid agricultural growth on the basis of existing capacity, without massive new investment. The increased profits, which largely (but not exclusively) went to the richer strata of farmers, were mainly channelled into new rural industries, which were geared towards the domestic consumer market.

As a result, enterprises at township level and below (a category which includes 'collective' enterprises as well as private and semi-private businesses) increased nearly ten times during 1980-90, compared with a 2.5 times increase for enterprises above township level. The output of individual businesses grew by more than a thousand times. The share in total output of enterprises at township level and below rose from 10.5% in 1980 to 31.8% in 1990. Millions of new jobs were created in the rural areas. This sector made a major contribution to the high, but rather erratic, growth rate of the 1980s.

It is extremely unlikely that this rate of growth will be sustained over the next 5-10 years. Farm production is almost certainly approaching the limits of what can be achieved without new investment in modernisation (requiring the diversion of capital from industries), which would involve, moreover, shedding 150 million plus surplus labourers from the land. The turn to the 'household responsibility' system and the disolution of the communes (in effect, local councils) has led to a serious decline in the rural infrastructure

(irrigation, roads, storage, etc) and a deterioration of educational standards. Rural poverty has undoubtedly declined, officially from about 33% in 1978 to 11.5% in 1990. But this has been very uneven, with most improvement in the coastal areas, leaving big pockets of extreme poverty in many inaccessible, inland areas.

Corruption is endemic among the state and party officials, while serious crime has been continuously rising. In 1993 more than 200 incidents of rural unrest were reported. There is a massive migration from the countryside to the cities, with about 100 million people streaming to and fro for temporary or seasonal work.

Similarly, the rural enterprises (mostly light industry and services) which mushroomed in the 1980s, filled a vacant niche. They supplied the undernourished consumer market, which had long been neglected in favour of heavy industry. This, too, is approaching its limits. Growth has depended entirely on increased investment (largely derived from higher farm incomes), and productivity levels have been extremely low. Moreover, the rural industries' demand for manufactured equipment and inputs put increasing pressure on the dilapidated state industries, which were largely unreformed in the 1980s. As a result, accelerated growth led to supply shortages and a consequential rise in inflation. This reached a peak in 1988, when the government was forced to adopt austerity measures. Currently, the government is again trying to put the brakes on growth to curb inflation.

After postponing the issue for many years, the leadership is now attempting to apply decentralisation, privatisation, and marketisation to the state industries. In doing so, they will face many of the problems which are being experienced in Russia and Eastern Europe. China's traumatic 'shock therapy' is only just beginning.

The influx of foreign capital

THE INFLOW OF capital from abroad, the key component of Deng's 'open door' policy, has been a vital source of growth over the last decade. When the reform policies got underway in the early 1980s, foreign capitalists (from the US, Japan and especially the overseas Chinese of Hong Kong and South East Asia) began to invest on a big scale. The attraction was clear: exceptionally cheap labour, even by Asian standards, with no employment, health and safety, or environmental restrictions.

The growth of China's trade, moreover, was largely determined by the flow of investment. Trade has grown massively, increasing by an average 9.2% per annum during the 1980s, compared with a 5.5% per annum growth of world trade. Exports rose from under \$10bn in 1978 (with a trade deficit of over \$1bn) to \$61bn in 1991 (with a trade surplus of \$22bn), accounting for about 2.5% of

total world exports. China's privileged access to the US market, as a 'most favoured nation', has been especially important (in 1992 China was running an \$18bn trade surplus with the US).

Again, this is in marked contrast to Russia and Eastern Europe, which (with some exceptions, like East Germany, absorbed by the West) have not benefitted from the massive Western investment previously promised.

The combined total of actually realised foreign loans and capital Foreign Direct Investment (FDI) in China rose from about \$2.4bn a year in 1983-85 to about \$10-11bn in 1990. The inflow of foreign capital is being estimated by some to reach \$20bn this year, while the accumulated foreign debt stands at about \$73bn.

A very high proportion of foreign capital went to the 'open coastal provinces', where most of the recent large-scale economic development has been concentrated. These provinces, which constitute less than 5% of China's land area and 19.5% of the population, account for 40% of the gross value of industrial output and 33% of China's GDP.

Of the total intake of foreign capital of \$10.3bn in 1990, \$6.5bn was loans and \$3.7bn was Foreign Direct Investment. Of this FDI, about 50% took the form of equity in joint ventures, while another 18% was invested in wholly foreign-owned ventures. A significant portion of foreign capital was invested in large-scale state-owned enterprises, often on a profit-sharing basis, which was a vital prop for the state sector. Central government and provincial authorities also borrowed foreign capital for infrastructure projects. In the last few years, there has also been increasing private investment in land in the coastal areas, which has led to a speculative property boom.

The limits of managed marketisation

UP UNTIL THE present time, this massive influx of foreign capital has had a surprisingly limited effect on the overall structure of the Chinese economy. The foreign-capital finance development in the coastal zones has been largely insulated from the rest of the economy. Capital goods and some raw materials have been imported into the coastal enclaves, worked up on the basis of cheap local labour, and then re-exported to the markets of South East Asia, the US etc. The leadership had a conscious policy of trying to compartmentalise this development, deliberately avoiding the strategy followed by many underdeveloped countries in the 1970s, where foreign investment was used to develop home production capacity to reduce the need for manufactured imports from abroad.

However, this policy inevitably has limits, which have now been reached. There is growing pressure from foreign investors and the much stronger indigenous capitalist interests which have developed to be allowed to enter China's vast domestic mar-

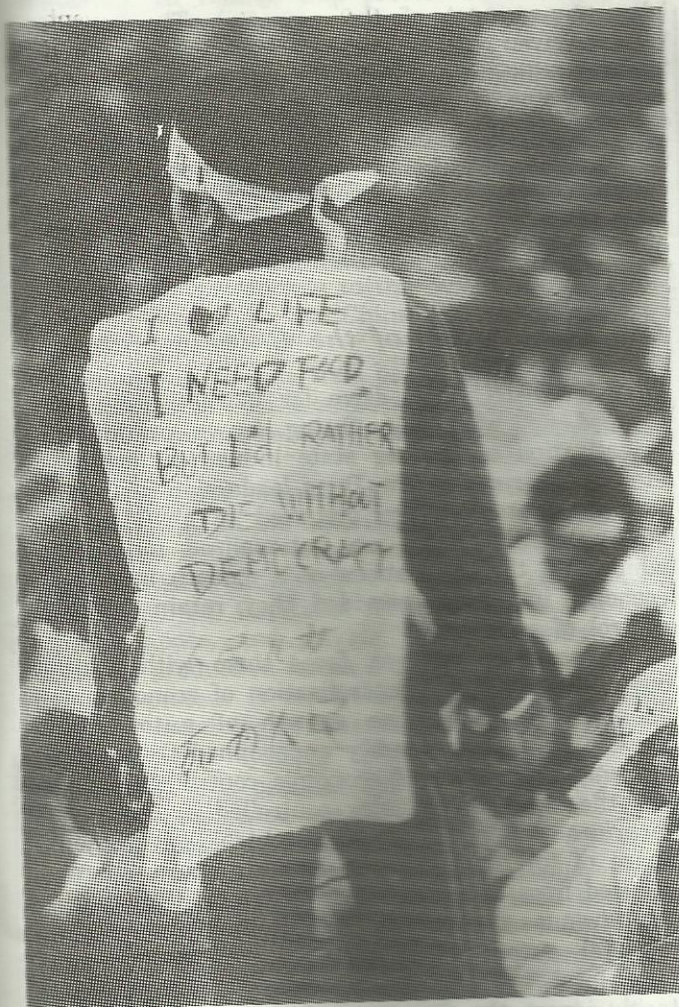
ket. The decentralisation of economic management, which has now been taken a long way, makes it almost impossible to prevent the increasing interaction of the big coastal enterprises with the rest of the economy. This, in turn, will inevitably accelerate the general development of capitalist forces throughout the economy.

As the state sector's dependency on foreign capital has grown, so the pressure to privatise the state enterprises has also remorselessly increased. Many of the big foreign investors are now poised to take a controlling interest in those enterprises which they see as potentially profitable. Thus there will be a convergence between the extension of big business from the coastal zones and the accelerated big-business takeover of the state sector.

Privatisation of the state sector

DURING THE 1980s the largely outdated, inefficient state sector was propped up by the leadership of the bureaucracy. While they implemented self-financing for many enterprises and introduced the 'management responsibility system' (taking economic management out of the hands of CP leaders), the top leadership time and again postponed radical decentralisation and privatisation - fearing the political consequences of undermining the job security and living standards of millions of industrial workers and their families. However, as a result of the growth of largely private-operated rural industries and big business in the coastal zones, the share of the state-operated industry declined steadily from 75.5% of total industrial output in 1980 to 48.5% in 1990. The growth of state sector output lagged way behind the collective and private sector, and even the limited growth of the nationalised industries was only achieved on the basis of a big increase in capital investment (relying heavily on foreign capital) without any significant improvement in labour productivity. According to some estimates, subsidies to this sector consume about 10% of GNP.

Since consolidating their position in 1990-92, however, the Deng leadership has launched a new round of reforms aimed at the state sector. The government is now planning to 'corporatise' between 50 and 100 of the main state industries. This would turn them into autonomous, independently-managed enterprises - as a preliminary step towards full privatisation. As in Russia and Eastern Europe, this will mean a massive loss of jobs, reductions in wages and conditions, and a loss of the housing and other welfare benefits previously attached to employment in the state sector. As yet, there is no state 'safety net' capable of replacing lost employment-benefits. At the same time, the government is planning to reduce the state bureaucracy by about 25% or over 2m employees. These threatened job losses will come when prices are continuously rising, as price con-



A Tiananmen protester.

trols are lifted from more and more basic commodities. Last year, inflation was officially about 15.7% in the cities and 14.5% in the countryside, but peaked at 24% in major cities in December 1993.

"The easy part is over", commented a Wall Street banker (*Wall Street Journal*, 24 February, 1994). By beginning to dismantle the state sector the Chinese leadership will be entering the same white water rapids which have recently buffeted the governments of Eastern Europe. The reforms have already led to a marked 'stop-go' cycle, and the government is currently striving to reduce growth from around 12.8% last year to around 8-9% this year. For the working class and agricultural labourers, the next period will mean a widening polarisation of wealth, intensified exploitation, great insecurity, and the prospect of prolonged turmoil.

Socialism with Chinese characteristics

DENG XIAOPING HAS pursued his policies under the slogan of 'Socialism with Chinese characteristics'. What does this coded formula really

mean? 'Chinese characteristics' clearly means marketisation and capitalist methods. After all, according to Jiang Zemin, CCP general secretary, Deng's 'decisive contribution' has been that an emphasis on planning or on the market is not an essential distinction between socialism and capitalism.

So what does 'socialism' mean in Deng's formula? Because of the profound legacy of the 1948 revolution, from which the CCP still claims to draw its legitimacy, the leadership cannot openly abandon the banner of socialism. The recently revised constitution still proclaims socialist aims. "The essential nature of socialism", it states, "is to liberate and develop the productive forces, to eliminate exploitation and polarisation, and ultimately to realise common prosperity". Policy statements still refer to the 'dominance' of the public sector, but the definition of 'public ownership' becomes ever wider, now envisaging corporations in which the state will hold as little as 20% of the shares.

In reality, 'socialism' means upholding the political rule of the CCP. The criteria of 'socialism' for Deng and company is that the ruling elite in the form of the CCP leaders and the state apparatus retain power, together with the accompanying privileges.

When the economic reforms were launched in 1978, there were no immediate moves to dismantle the state industries. Yet the reformists around Deng were forced to recognise that the bureaucratic command economy was in an impasse. After the upheaval of the 'Cultural Revolution' (1966-1976), initiated by Mao and his ultra-left allies within the bureaucracy, there was over a decade of economic stagnation. The reformists recognised that without improved growth and raised living standards, they would face social upheaval and a threat to their rule. Growth would not be achieved, however, simply by exerting more bureaucratic pressure on the existing economic structures. As in the past, the leaders turned again to market methods, but to a far greater extent than before.

Deng has always been a loyal apparatchik, an organisational man who executed whatever policies the top leaders believed would best secure their position, a consummate pragmatist. There is no reason to suppose that Deng and company had a clear vision of where their policies would lead them. As always, Deng moved empirically. They may even have had illusions, similar to those of Bukharin in the Soviet Union in the 1920s, that the market could be contained indefinitely within the framework of a centrally planned economy. But marketisation in the countryside and the opening up of China to international trade and capital investment appeared to be the only way out of the impasse. The bureaucracy would never consider the democratic involvement of the working class in the economy.

Once set in motion, however, such policies inevitably have a momentum of their own. The reforms led to remarkable growth and raised living standards, especially in the countryside. But the inability of the state industries to meet the increased demand from the agricultural sector and rural industries led to rapid increases in the price of agricultural supplies (eg, fertilizers, plastic sheeting, implements) and basic foods, producing high inflation at the end of the 1980s. This inevitably fuelled discontent and opposition.

Tiananmen Square and its aftermath

THE ORGY OF corruption within the bureaucracy and an upsurge of crime provoked widespread outrage. The student protest movement, with mass demonstrations against corruption and demanding democratisation, reflected the grievances and democratic demands of wider layers of society.

The sharpening social tensions produced a split within the bureaucratic leadership. The conservative wing demanded a halt to the reforms. They called for a reversal of some measures and the reinforcement of central control over the economy, and especially a clampdown on criticism and opposition. Deng favoured a continuation of the marketisation policies. But he felt that his protege, Zhao Ziyang, was going too far in raising the need for political liberalisation. Encouraged by the apparent disarray of the top leadership, the democracy movement gathered strength, with massive demonstrations and the occupation of Tiananmen Square. This movement, moreover, coincided with the crisis in the Soviet Union and Eastern Europe (especially East Germany), which aroused the Chinese CP leaders' fears of a catastrophic collapse of their authority.

Faced with this crisis, Deng abandoned Zhao Ziyang, who was dismissed from his post and imprisoned. Deng made common cause with the aging hard-line 'veterans', like Yang Shangkun, chairman of the Central Military Commission, and the leadership carried through the violent repression in Tiananmen Square and the brutal suppression of the subsequent uprisings which swept through China's main cities.

After this, Deng's reform policies marked time for a while. The leadership evidently concentrated on stabilising the situation. But Deng's alliance with the ultra-conservative wing of the bureaucracy was only temporary. Essentially he continued to push the economic reform programme, but under the exclusive direction of the CCP, without any concessions to political liberalisation.

At the Fourteenth Congress of the CCP, held in October 1992, Deng strengthened the position of the economic reformers. Many of the old guard were forced to retire, while the position of key reformers was strengthened (for instance, with vice-premier Zhu Rongji, former Shanghai leader, taking over day-to-

day management of the economy). The congress report given by general secretary, Jiang Zemin, upheld criticisms of Zhao Ziyang, blaming him for allowing the 'counter-revolutionary rebellion' of the students in 1989. But Deng blocked moves to expel Zhao from the party or use further sanctions against him. He proclaimed that the 'main danger' now came from the 'left', ie from the conservatives who are opposed to further economic reforms.

Class character of the Chinese state

ONCE AGAIN, THE drive for marketisation was stepped up, with plans being drawn up for the privatisation of the big state industries, banking, etc. By their deeds, the Deng leadership has made it clear that they are prepared to abandon the state planning based on nationalised industries, which laid the foundations of a modern industrial economy in China, provided they retain political control of society.

This course, however, faces them with a new contradiction. The decentralisation of economic decision-making and the growth of autonomous market forces has steadily undermined the central government's levers of economic control. Not only has the share of industry controlled by state enterprises declined, but the central government share of total tax revenue has also been sharply reduced from 57% in 1981 to 38.6% in 1992 (when the revenues themselves have declined from 26.7% of total output to only 16.6%). Moreover, both lower-level authorities and private interests blatantly ignore the directives of central government.

The old control mechanisms of the command economy have been eroded, but the array of policy instruments generally deployed in capitalist economies (such as taxation, public expenditure, money supply, legislative regulation, etc), which are in any case of limited efficacy, are still rudimentary. This is reflected in the highly erratic year-to-year fluctuations in growth rate and the marked slump-boom cycle.

The next phase of economic reform will inevitably mean big cuts in the workforce in the heavily over-staffed state sectors - and an end to the 'iron rice bowl', the job security, housing provision, and welfare services long provided for workers in the nationalised industries.

If Deng's current plans are carried through, there will be a further massive shift in the balance of ownership, with a qualitative increase in the private sector. Such a shift would mean a qualitative change in the class relations within Chinese society. It would entail the completion of the capitalist counter-revolution, which has been gathering pace since the early 1980s. It would mean the decisive dissolution of the nationalised industries and centralised state planning, an historically progressive achievement of the revolution of 1948 which was distorted and squandered by the bu-

reaucracy. In reality, this process is already far advanced within Chinese society and has been reinforced by international developments.

How, therefore, can China's fundamental social relations currently be classified? Is it still a 'proletarian bonapartist' state? In other words, is it a society in which the ruling bureaucracy (based on a privileged elite) presides over an economy dominated by its centrally planned, nationalised sector - that is, a form of ownership of the productive forces which corresponds to the historical interests of the proletariat. Or has China become a capitalist state?

The answer, for the time being, is that China is in a process of transition between the two. At the moment, it cannot be neatly fitted into either social category.

The socialised property relations established by the revolution, on the land (with collective farming) and in the decisive urban, industrial sector, have been drastically undermined - but not yet completely dissolved. Capitalist forms of production are growing apace, and private property rights over land and productive forces are crystallising rapidly. But the process is far from complete. As in any profound social transformation, elements of different productive systems coexist. They are still intertwined in a peculiar hybrid, and may not be completely separated out for some time. As yet, we cannot say that there has been a decisive, qualitative transformation of social relations.

'Proletarian bonapartism' has itself been a transitional formation, an historic break from capitalism but (lacking the conscious, democratic rule of the working class) not yet socialist. For as long as these regimes were able to develop the productive forces and improve social conditions,

they were developing in an historically progressive direction, despite the crimes of the Stalinist dictators. Moreover, in the post-second world war period these transitional state-formations in the Soviet Union, Eastern Europe, Cuba, and China were unexpectedly prolonged and stabilised because of their economic progress and the prevailing balance of class forces internationally.

By the beginning of the 1980s, however, it became clear that the Stalinist bureaucracy had become an malign cancer on the planned economy. Its capacity to develop the productive forces was exhausted, and the Stalinist regimes disintegrated, opening the door to capitalist restoration.

Following the collapse in the USSR and Eastern Europe and the accompanying shift in world relations, it was inevitable that there would be a similar process in China. Under Deng, the Chinese leadership, following the example of their East European cousins, adopted pro-capitalist policies and sponsored the growth of private business interests. The transition, therefore, is now decisively in the direction of capitalism.

A new phase of counter-revolution

THE ECONOMIC FORCES unleashed by the decollectivisation of agriculture and the 'open door' have gathered a powerful momentum over the last decade. The collapse of the Stalinist regimes in Russia and Eastern Europe could only reinforce the direction taken by the Deng leadership. The ignominious collapse of the 'Stalinist' coup in Russia in August 1991 reinforced the isolation of the old guard 'Stalinists' within the Chinese bureaucracy. Under these circumstances, there can be no



resurrection of Mao's 'Stalinism with Chinese characteristics'. Moreover, the ever-increasing pressure from Western capital inevitably reinforces all the forces within China generating capitalist relations.

Over the last decade, it is the embryonic elements of capitalism which have been the most dynamic economic forces within the Chinese economy. The state sector, on which the economy still relied for heavy industrial goods, could not keep up with demand from burgeoning private industry. Outdated technologically and overmanned, it had to be propped up by heavy state subsidies. For many years now, it has been the private or semi-private sectors which have been the locomotive of growth and determined the direction of the economy, not the state sector.

It is not possible to modernise state industries under bureaucratic control, as the experience of Eastern Europe demonstrated. At the same time, the bureaucrats who treasure their privileges and instinctively warm to the profit motive, will never contemplate the democratic involvement of the workers in economic management. The logic of the decentralisation and marketisation which they have adopted, therefore, points to the inevitable privatisation of the state industries. Many industries will remain under state control, perhaps for quite a long period, and the Chinese economy, like those of Russia and Eastern Europe, will have a distorted, hybrid character.

Needless to say, there is remorseless pressure from the World Bank and other bodies representing imperialism for rapid privatisation. It is difficult for the leadership to avoid this problem any longer. Yet they undoubtedly run the risk of provoking serious upheavals, as privatisation may well meet with strong resistance from sections of the workers. Against this, however, the workers (as in Russia and Eastern Europe) lack independent trade union organisations and leaders with a programme capable of mobilising mass opposition to privatisation - that is, for the overthrow of the bureaucracy and the establishment of workers' and peasants' democracy. Elements of the political revolution appeared in the heroic resistance to the suppression of the Tiananmen Square movement, which involved wide layers of workers, especially young workers. Given the present world situation, however, it is unlikely that the Chinese working class can, at this stage, reverse the counter-revolutionary tide which is sweeping over China. This certainly does not rule out working class struggle against the counter-revolutionary attacks on their living standards and to win democratic rights.

The reality is that an ideologically bankrupt leadership has betrayed the social gains achieved by the epic revolutionary struggle of the workers and peasants which led to the victory in 1948. For four decades the bureaucrats were content to preside over a nationalised, planned economy - for as long as it provided a secure base for their power and privileges. But as the base began to crumble,

as a result of bureaucratic atrophication, the more adaptable, reformist leaders concluded that preservation of their power apparatus was more important than preservation of the planned economy - and they began empirically to seek a new economic basis. This unavoidably entailed collaboration with foreign capital and with all the heterogeneous nascent elements of capitalism within Chinese society - the richer farmers, small manufacturers, traders, money lenders, commercial agents, and so on. At the same time, the development of the market more and more strengthened the 'private-enterprise' elements within the apparatus itself, either through corruption or growing involvement with business activity.

A layer of the bureaucracy is already well on the way to reconstituting itself as the core component of a new capitalist class, as yet heterogeneous and only partly formed. Yet the state itself will undoubtedly continue to play a significant role of its own. Historically, the Chinese state has always had an enormous weight in society, and the Maoist state itself incorporated many of the features of the former imperial state bureaucracy. In the next period, there will be a restructuring of the state, as the apparatus is adapted to the requirements of capitalist development.

It is evident from the statements of Deng's economic advisers that the leadership is now consciously trying to emulate the post-war model of Taiwan and South Korea, where the state played a major role in fostering the development of large-scale capitalist industry. A more accurate analogy (though not likely to be invoked), would be the restored Japanese Meiji dynasty, a quasi-feudal state bureaucracy which set out after 1868 to modernise Japanese feudal society through an 'open door' policy and sponsoring the development of capitalism, which they saw as a necessary basis for their tax revenues and military power.

Will the bureaucracy succeed in carrying through a relatively smooth transition to capitalism, while maintaining its own political control? Given the current international situation and the balance of forces within Chinese society (especially the political weakness of the working class), the counter-revolutionary transition to capitalism appears unstoppable. The bureaucracy, however, will face considerable problems in the next period. The 1980s, themselves stained by the violent repression of 1989, may well prove to have been relatively easier for the pro-capitalist leaders than the 1990s. Within China, because of long-suppressed productive potential, it was relatively easy to stimulate high growth through increased incentives. Now continued growth requires more radical changes, which will inevitably lead to a greater polarisation of incomes and high unemployment. A minority will gather the golden fruits of capitalist growth, but the majority will face greater insecurity and hardship. Social upheavals and political struggles are inevitable in the next period. □