Speech Delivered by COSATU President Sidumo Dlamini at the 47th National NAFCOC Conference and AGM held at Gallagher Estate in Johannesburg Midrand

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The president of NAFCOC-Mr. Lawrence Mavundla
The Hon. Premier Ms Nomvula Mokonyane
Former Presidents of NAFCOC, Dr. Richard Maponya and Mr. Patrice Motsepe
Stalwarts of NAFCOC present here today
Invited guests
Ladies and Gentleman

COSATU is pleased to have been invited to speak in this important gathering attended by people who are at the heartbeat of South Africa`s economy.

We are meeting here today at a time when the world economy is going through sustained uncertainty, and yet, dominant in most the solutions that are being considered by the ruling elite, is the element of greed.

All the proposed alternatives that seek to save humanity are being discarded in favour of those who present an opportunity to have capital continue to maximise profit even during the worsening crisis.

The level of greed by capital during this period of deepening economic crisis, (which by the way is of their own making) is unbelievable.

It is pathetic to note that at the height of the crisis in 2008, when we could see levels of poverty increasing, people being retrenched, and when all of us were made to carry our hands on our heads about the big economic crisis, evidence shows that during that period the world’s billionaires saw their wealth grow by 50 percent, and their ranks swell to 1,011, from 793.

During that period the number of US billionaires grew to 403, up from 359.

Asia-Pacific region had 234 billionaires, up from 130 the previous year. Europe had 248 billionaires, despite having twice the population of the United States.

The combined net worth of these 1,011 individuals increased to $3.6 trillion, up $1.2 trillion from the year before. On average, each billionaire had his or her wealth increase by $500 US million dollars.

The holdings of these 1,011 individuals were larger than the gross domestic products of every country except China, Japan and the United States.

The wealth of the 403 US billionaires could more than cover the 2008 US federal deficit, with money left over for the states.

Yet during the same period, governments throughout the world were being advised by the same capital, based on the very same rules that brought the world to unseen misery caused by their own crisis, to give bail outs to banks.

In essence saying they were utterly refusing to touch their billions which they accumulated leading to the crisis but making the working class, through their taxes, to pay for their consciously self-made crisis.

Indeed it is estimated that the US government alone used a total of $425 billion to bail out banks, insurance companies and automakers, and provided $45 billion in housing program assistance.

But did this improve the lives of ordinary people? The answer is a big no!

The reality is that instead there has been an increase in poverty, unemployment and inequality.

A new Census study has determined that 49 million Americans now live in poverty, based on new methods of calculation.

The new results show a higher number of poor Americans than figures released in September, which put the figure at 46.2 million.

The earlier report showed that between 2009 and 2010, the poverty rate went from 14.3 percent to 15.1 percent, while an additional 2.6 million people fell into poverty.

The new figure also revised upward the percentage of the population earning less than twice the federal poverty level, from 34 percent of the population to 47.9 percent: a staggering 40 percent increase!

This is coupled with growing inequality. Another study, authored by Stanford University researchers and published jointly by the Russell Sage Foundation and Brown University, concludes that the proportion of American families living in middle-income neighbourhoods has declined sharply over the past four decades, while the share of families living in either poor or affluent neighbourhoods has dramatically increased.

The report shows that the proportion of US families living in affluent neighbourhoods doubled from 7 percent to 14 percent from 1970 to 2007, while the proportion of families in poor neighbourhoods rose from 8 percent to 17 percent.

Over the same period, the proportion of families living in middle-income neighbourhoods fell by 21 percentage points. This is a Nation of endless opportunities, where in the midst of 49 million extremely poor people coexist 403 Billionaires!

Similar trends have been observed in the United Kingdom. The office for National Statistics recently revealed that a further 129,000 people joined the ranks of the UK's unemployed in the three months to September.

In real terms it means that 2.62 million people are officially out of work, the highest level in 17 years — a rate of 8.3 percent of the economically active population.

Youth unemployment grew by 18,000 in the last two months alone to 1.02 million — the highest level since records began in 1992. More than one-fifth of young people are officially classified as unemployed, comprising more than a third of total joblessness.

These man-made challenges being imposed in our society continue to increase every day. For example an international development charity Oxfam released a report warning that the world has entered an age of crisis: of food price hikes, scrambles for land and water, and creeping insidious change.

The report projected that food prices will double in the next 20 years. It showed that the 2008 food price spike pushed around 100 million extra people into poverty, while as we speak the current spike has pushed 44 million more into poverty so far this year alone.

In 2009 the number of hungry people in the world reached a record one billion, a sixth of the world's population. With the recent spike it means it is again above one billion.

According to the United Nations Food and Agricultural Organisation (FAO) the food price index reached its highest-ever figure earlier this year.

The reality of the matter is that whilst rising food prices are affecting most people throughout the world, they have a disproportionate effect on those in the undeveloped countries.

One in seven people on the planet go hungry every day despite the fact that the world is capable of feeding everyone.

The Food and Agricultural Organisation report shows that while in the United States, spending on food accounts for around seven percent of family budget, in Kenya it is 45 percent and in Azerbaijan 49 percent.

Oxfam highlights the Western African nation of Niger as being at the "epicentre of hunger", noting that more than two-thirds of its population live on less than $1.25 a day. Nearly half of all children are malnourished, with one in six dying before five years of age.

But what are the underlying causes that have led to this human tragedy?

The answer is found on the fact that the current dominant world political and economic system is predicated on greed and is constructed by and on behalf of a tiny minority; its primary purpose is to deliver profit for them.

It is a system that is predicated on the crude logic of profit maximisation and that reduces all social relations to the calculus of this drive for profit maximisation.

What has led to food price hikes is that for powerful investors, food is treated just like another financial asset around which speculation can be played in the financial markets.

Two reports authentic reports attests to this inhuman behaviour by capital. The first is the recent World Development Movement (WDM) report, entitled “Betting on Hunger”.

It explained how futures contracts came about to give farmers some certainty about the price they would get from crops yet to be sold. These were then traded by bankers and traders becoming in effect bets on food prices.

The New York Strategic Investment Group estimated that “speculative demand for commodity futures has increased since 2008 by 40-80 percent in agricultural futures”.

One of two hedge fund managers who gave testimony to a US Senate hearing on speculation on food prices in 2008 said that “when billions of dollars of capital is put to work in small markets like agricultural commodities, it inevitably increases volatility and amplifies prices of food stuffs…it’s not like real estate and stocks. When food prices double, people starve”.

At the G-20 Summit this year we urged two taxes be introduced, the first being a financial transactions tax, which would discourage excessive speculation and limit disruptions on the productive economy that were brought by financial markets. The tax would be levied on the size of excess profits and excess salaries within the financial sector, to ensure that the financial sector did not balloon excessively beyond what could be sustained by real production, and that resources that could be directed towards job-creation were not "wasted on financial speculation". That there be implementation of a tax on short-term cross-border flows, to limit excessive appreciation of currencies, especially in developing countries. That heavy tax is to be imposed on speculation on essential food items.

Instead of listening to the plea of the developing nations, the ruling elite represented by the “troika,” consisting of the European Union (EU), the International Monetary Fund (IMF) and the European Central Bank (ECB) imposed austerity measures and followed that up with imposing their own prime minister in Greece who is to carry their mandate of austerity measures through and through.

As a result of a response to the crisis, which is based on greed, the impact of the crisis is deepening for a very market reliant solution that is being implemented.

What is interesting is that the systemic chronic failures of market-based solutions are being manifested right inside the heartland of market economies.

This is the story of economic greed. Even during extreme economic crisis, still the elite want to accumulate and where there are limitations to accumulate they expand their national boundaries and create wars in neighbouring countries in order to plunder the resources and add to their endless pockets as we saw it happening in Iraq, in Libya and now Iran

The question which this congress must answer is how South African capital should respond to the challenges confronting our country.

Should we copy from the failed European and USA remedies or should we chart our own path, deriving lessons from the failures and successes seen in other parts of the world?

As COSATU we consistently want to make a point that a progressive resolution of the crisis is possible only on the basis of transforming existing property relations.

The banks, large corporations and major private fortunes must be expropriated, subjected to democratic control and devoted to serving society as a whole. Social needs must take precedence over the drive for profit.

This is the main content of our proposal that we have put forward for South Africa's New Growth Path.

In South Africa we are still confronted with a painful reality of a colonial economy. This therefore means although we can learn from other countries our response cannot be similar to these countries which are not going through our experiences.

The reality of our situation is that global economic crisis only complicates and derails solutions to this crisis caused by imperialist-imposed colonialism of a special type.

The means that our response to what may appear to have been caused by the global economic crisis must take cognisance the fact that ours is a crisis within an already existing crisis.

When we respond we must deal with the class, gender and racial character of our own crisis.

Our response must seek to address the fact that the means of production and power remain concentrated in white capitalist hands. We have a task to reverse the fact that black ownership of JSE-listed companies range between 1.6%[26] and 4.6%[27].

We must confront the reality that the JSE is still dominated by a few large firms; 50% of JSE is account for by 6 companies and more than 80% is accounted for by large banks and companies engaged in the core of the minerals-energy-complex[28].

We have to honestly address the fact that almost all the top 20 paid directors in JSE listed companies are white males.

Another corresponding question to answer will be how do we seek to address and reverse this painful colonial legacy?

Do we want to replace the white JSE listed companies with black companies which will still be owned by a minority at the expense of a majority albeit being black in skin colour but essentially with all the capitalist features of greed?

As COSATU we have said our starting point is not to replace white minority capital with black minority capital but we are calling for collective forms of ownership and decisive state intervention that will do so in favour of the working class and the poor.

Part of this state intervention will include selecting strategic industries and sectors through which it can influence the direction of the economy, in line with the vision articulated in the freedom charter. These will include targeting the following strategic sector of the economy for nationalisation:

Mining: In our view this sector provides critical inputs and materials. Indeed, the granting of licenses to mine these establishes monopolistic behaviour in pricing and in the decisions of where to supply output and from where to source inputs. Because of internationalisation of production, South African mining companies play the role of providing raw material inputs to global value-chains, and domestically to the traditional core Minerals-Energy-Complex Sectors.

In this way, downstream industries are starved of critical inputs that get diverted to capital-intensive sectors, or to support industrial development outside South Africa's borders and the region. State ownership of the mining sector, or strategic parts thereof, would give the mass-based developmental state political and economic leverage over international and domestic conglomerates, and thereby determine the direction of economic development.

But the process of doing all this will include an extensive engagement with industry players, including our own unions in the sector, so that we can begin to develop insight about every corner of the sector. We will also be informed by the research results currently being conducted by the ANC as per the 2010 NGC resolution

- **Metals and minerals fabrication:** Here too, the state has to play an important role, because ultimately the metals and minerals that are fabricated must be directed downstream. A critical player at this level of activity is Arcelor-Mittal Steel[149], but this should not blind us to the fact that we have many metals and minerals that need processing. Therefore the state must cast its net wide at this level. The degree to which this sector will be nationalised must be determined by further research regarding its market structure. However, even if the state co-exists with private capital at this level, there would be a need to impose measures that would ensure that downstream industries are not starved of critical metals and processed minerals.
- **Machinery and equipment:** At this level, the state must play a role as well, making sure that adequate equipment is supplied to key sectors, such as mining, petro-chemicals, agriculture, etc. This can be done in partnership with the private sector, in which the state leads by providing an over-arching regulatory environment and in which it also has capacity to produce certain critical machinery and equipment. The popular classes cannot simply rely on regulation, because the probability of failure and evasion always exists[150].
- **Petrochemicals:** Our view is that this sector has a large monopoly, SASOL, and already, it was identified by COSATU and the SACP as strategic and therefore needs to be nationalised[151]. SASOL produces important inputs for industrial processes, agriculture and construction, particularly cement production. Besides SASOL also produces fuel, has strategic refining, and controls strategic transport infrastructure for fuel and gas. Sasol also depends heavily on Eskom for electricity supply; its processes are highly energy intensive and it also relies on mining, especially coal mining, as a critical input.
- **Cement Industry:** This sector is dominated by 4 players (PPC, Alpha, Lafarge and Natal Portland), in which each player has significant pricing power. The sector depends on

quarrying, which exploits a natural resource. It also depends on the petro-chemicals, heavy machinery and equipment, and energy sectors for inputs. It is estimated that 20-25% of output costs are due to energy consumption. The cement industry provides a critical input to construction, which is a central element of infrastructure development. It is therefore strategic that this sector be brought under public ownership.

- **Forestry:** The forestry sector is important: it provides paper, furniture and inputs to sectors such as mining. The forestry sector consumes large quantities of water, which is exacerbated by the fact that it is based on alien trees. Firstly, because wood and wood products, paper and paper products are crucial for social delivery: e.g. paper and books are critical inputs in the education system and furniture is important for decent housing, etc. Secondly because the sector uses a scarce and critical national resource, the people as a whole must extract maximum benefit from the forestry sector. Private ownership, let alone internationalized ownership, is not in the interest of our national development. The sector is also dominated by a few large firms: Mondi and Sappi.
- **Pharmaceuticals:** The pharmaceuticals sector is also dominated by a few large players and plays an important role in the health system. In line with the need to address health disparities, a state-owned pharmaceutical company needs to be set up in order to produce medicines on a non-profit basis. This is important especially in the light of the HIV/AIDS pandemic and the vulnerability of the Southern African region to diseases. The state pharmaceutical company therefore puts the democratic state in a powerful position to have impact on the health profile of the Southern African population, not just South Africans and will reduce the vulnerability of the region from being exploited by multinational pharmaceutical companies.
- **Construction:** The state should directly deliver basic goods and services. This means that it should build its capacity to construct infrastructure, public housing, hospitals, schools, clinics, roads, dams, bridges, etc. At this level, the state can co-exist with private construction companies, who can continue their operations by providing construction to private sector firms. But as it relates to public infrastructure provision, the state must build its enterprises to do the job. This aspect is important because through non-profit-based construction activity, the South African state can make an important contribution to the Southern African region as well.
- **The Financial Sector:** The banking system can co-exist with a state bank. However the state bank must clearly provide leadership in financial markets and give effect to the macroeconomic and financial policies of the developmental state. This task cannot be left to private financial markets, because they are unstable. However, for the state to lead in this sector, it needs to have control and ownership of the balance sheet of the Reserve Bank and primarily use the state bank as a conduit of its policies to the economy as a whole. The Reserve Bank's accumulation of assets and issuing of liabilities should not be complicated by the fact that, sometime in the future, such accumulations may be appropriated by a few individuals. The democratic state must use all the potential that a state-owned central bank brings in order to address the challenges we face.

There are already established institutions that can also play an important role in financial markets, e.g. the IDC, DBSA, Post Bank, National Empowerment Fund, Land Bank, Khula and Ithala.

These institutions need to be transformed so as to finance priority sectors, co-operatives and SMMEs at generous interest rates and terms.

Nevertheless, these are not deposit-taking institutions and do not create financial assets. In this sense, their transformative capacity relies heavily on injections from the National Treasury and borrowing from the financial sector.

The state bank on the other hand, will have greater flexibility and wider scope to have greater impact on social and economic development. The state bank can make a significant contribution in financing priority sectors, housing, developmental infrastructure, co-operatives and SMMEs.

Inherent in this approach is promoting workers' power, not just in the nationalised sectors, but also in the private sector, especially in the sectors that underpin this growth path. Sectors that benefit from collaboration with the state, or from state support in getting critical inputs, must in turn be democratic and give critical voice to workers and communities in which they operate, in their governance structure.

Such firms are expected to abide by the norms required by this growth path such as: decent work, closing the apartheid wage gap, closing the executive pay-gap, local procurement, co-operative and SMME support, productive BEE support.

This should be the basis of the alliance between progressive sections of private capital and the working class, and should form a critical, complementary link between the democratic state and private capital.

Our argument is that SMME support is also another way through which democratisation of the economy and redistribution of resources can be effected.

The majority of South Africans have been marginalised from the mainstream of the economy as entrepreneurs, more so because the economy continues to be dominated by conglomerates.

Under these conditions, SMMEs become the main form of economic activity through which entrepreneurs organise their activities. The new growth path must open opportunities for SMMEs to enter value-chains.

By controlling decisive sectors of the economy and critical stages of the value-chain, government must open opportunities for SMMEs to participate.

Nevertheless, SMMEs must also create decent work, whilst the state offers them support through generous financing, access to markets and inputs, and technological improvements through R&D.

The state's initiative to support SMMEs is also one way through which the informal sector can be integrated into the mainstream economy.

There is ample historical evidence that, properly managed and given clear accountability standards, nationalised firms can deliver great benefits to the country by making available critical resources for downstream industries, thereby changing the labour intensity of the economy and influencing the structure of industry.

Countries like Korea, Taiwan, Singapore, France and the Scandinavian countries to mention a few, all rose on the basis of strong state ownership of strategic sectors[148].

Our approach is that we don't want to engage in these matters in a populist fashion that have elements of intimidating those who share a different view, or use it as a mobilisation tool against our own government. We want to engage comprehensively and we are prepared to go to a comprehensive and meaningful negotiation on this matter.

These are policy options and we want to engage with them as such and where required enter into a genuine campaign to persuade government and society towards our views.

Our view is that with all the concerns we are raising, we have been encouraged by how government has moved on many progressive programmes such as on increasing no-fee schools, towards achieving free and compulsory education, expanding child feeding scheme, progressively introducing free education at tertiary, bursaries for FET students, increasing grants for up to 18 years, lowering retirement age to 60 years, implementation of NHI etc.

Just recently we have just signed an agreement with government, business and community at NEDLAC towards achieving the 75% local procurement intended to protect our local industries whilst we address the economic needs of the country to the benefit of the working class and the poor.

We have noted that even with the climate change crisis the vultures wanted to accumulate at all costs and this NEDLAC agreement is a call to our private sector to strengthen existing efforts by financial institutions to fund investments in the green economy and pursue investment opportunities in manufacturing linked to renewable energy initiatives.

What we are now calling for is a national dialogue with all South Africans, including with the opposition parties, to address how the country can qualitatively move to address the legacy of apartheid and colonialism that was consolidated in the 1910 Union of South Africa when whites entered into alliance to actively exclude blacks in general and Africans in particular from mainstream economic activity.

In our view the land question cannot be effectively addressed without amending the constitution to deal with the property clause. In that dialogue we want our people to address how we can have the state to limit foreign ownership of our economy.

As from next year we will be gearing up to set up a COSATU-wide administration company in order to take control of workers' retirement funds and we will be calling for an audit of existing co-operatives with a view to uprooting bogus co-operatives and to initiate a more co-ordinate and regulated co-operative sector.

We are also calling on business to make a contribution in this sector. Our recent NEDLAC on local procurements speak to this call.

We want to call on business to support smallholder schemes, communal land and co-operatives in the supply of feedstock for private sector ventures, in order to ensure extensive empowerment as a result of the biofuels strategy.

These measures include restarting farming where land is fallow, recapitalisation of equipment, training and financial support for inputs such as fertilisers and extension services

We wish this congress to have deliberations that will not seek to reinforce the forced and failed Neo- Liberal options but to put people before profits

Amandla!