

# The year of the summits

**W**ithin days of the African National Congress (ANC) and Cosatu meeting in January 2002 to 'confront the past' and lay the basis for more constructive engagement, the headlines proclaimed 'changes to Gear', 'ANC to adopt new economic policies'.

These headlines emerged following the ANC's annual lekgotla which agreed on the need for a comprehensive discussion on economic policy in preparation for the organisation's national conference in December. This process would include an economic growth summit which would lead to 'conceptualising a social accord' between government, labour and business.

The immediate cynical response to this announcement could well be that this was an attempt to deal with the crisis in the Alliance, by creating the impression that economic policy was finally open for debate. The call for a social accord within this type of climate would be far more favourably received as opposed to the proposal made in the growth, employment and redistribution strategy (Gear). There may well be an element of this especially in the build-up to the national congress. However, part of the answer as to the processes that will unfold in the months ahead lies in a more studied response, taking into account the work done by the ANC's economic transformation committee (ETC) and broader developments that have taken place since

*There has been much speculation in recent weeks about whether real engagement on economic policy will take place. **Reneé Grawitzky** looks at the process leading up to the drafting of a new economic growth path, which could lay the basis for a social accord.*

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the adoption of Gear in 1996.

The concept of a new economic growth path did not just materialise at the lekgotla, but has evolved over time. It became more pronounced during collaborative discussions between the Alliance partners within the ETC since early 2000. (Gear was implemented on the basis that it was a medium-term programme running until 2000.) Some would argue that these discussions coincided with a growing realisation within the ANC that other ways had to be found to make the economy work, without challenging the fundamentals of Gear.

Discussions in the ETC were based on the view that a new growth path would go beyond merely relying on 'getting

macroeconomic policies right.' Hence, the move towards the need for an industrial strategy. This realisation led to an increased focus on sector-specific strategies: 'by defining a clear-cut trajectory for sectoral development, the state may help large and small capital, organised labour, state-owned enterprises and other stakeholders find ways to contribute more to development and growth... While the new growth path must identify and build on strengths in the economy, it must also redirect growth to meet our broader aims - stimulating investment, creating employment and ensuring a more democratic and equitable economy.'

Ultimately, it was believed that the growth path would be about micro fundamentals. However, macroeconomic policy will have to reflect the needs of the proposed new growth path, 'taking into account the need for fiscal and monetary responsibility'. Whether the fundamentals in Gear will be up for grabs remains to be seen but what has been acknowledged is that 'new interventions may require modifications in fiscal and monetary strategy, or they may involve sectoral changes to improve the effectiveness of existing macroeconomic strategies... A particular challenge remains the establishment of a suitable balance between stability and growth.'

Alliance sources believe there is a growing realisation within some quarters in government that future growth depends on a 'spirit of greater consultation'. This, one source says, was evident during the lengthy discussions which took place in the ETC. It is hoped that the desire for proper engagement on economic policy with key Alliance partners reflects a real change instead of a mere 'photo opportunity'.

The source says a space has been

created for a collective and more rationally considered process, as opposed to the process leading up to the drafting of Gear. Government, he says, is facing incredible pressures as it continues to grapple with sluggish growth on the one hand and increased activism from its support base on the other. Opposition to government policy cannot only be laid at the door of the so-called ultra-left in Cosatu. There are signs of rising activism from the very constituency that voted for the ANC and continues to support it.

An analyst observes that government appears to be moving along from one crisis to another. He compares the current state to that of one scenario outlined in the September Commission released by Cosatu in 1997. The Skorkoro scenario talks about a period in South African's development where government muddles along from one crisis to another.

### **Move towards a social accord**

The call for a social accord is not new and has been made during various intervals since 1994 by different constituencies. More recent attempts to foster this ideal lie in the formation of the Millennium Labour Council (MLC) in 1999/2000 and the subsequent call by deputy president Jacob Zuma for an employment accord. Despite still receiving support from the architects of the MLC, it is becoming increasingly discredited in various quarters in government and business. This view became more pronounced following recent negotiations on amendments to labour legislation.

There are claims that business misread the MLC and was outmaneuvered during the recent negotiations. One unionist asks: 'Who reads the preamble? It means nothing.' (The preamble to the MLC agreement signed between labour and business was the basis on which the deal



*A meeting of the MLC in July 2000.*

was sold to a number of captains of industry.) An alternative view is that business was trying to come up with a corporatist solution which was far-sighted in of itself. However, business needs to put in place structures to ensure proper mandating so that agreements struck are binding. This raises the problem business currently faces in not being able to talk with a united voice.

Nedlac's business coordinator Vic van Vuuren believes the MLC is, however, ready for a social accord. He says the parties should prioritise this, as they are mature enough and ready to move forward. The parties, he says, should start by prioritising one or two areas such as investment and marketing the country and reaching agreement on this in order to show they can deliver. He acknowledges at the same time, the need for more debate on macroeconomic policy.

Cosatu general secretary Zwelinzima Vavi says the MLC has already begun to

tackle a number of issues around economic transformation such as key components of an industrial strategy. Vavi says for the next two to three years the country needs to focus on reaching a set of agreements around key areas in the economy aimed at turning it around.

Fedusa general secretary Chez Milani says in terms of a proposed social accord, that people do not know how to talk to each other. One of the fundamental problems in labour relations in South Africa is trying to find a balance and move away from positional bargaining. Labour, he says, does not want to chase away investment but at the same time does not want to be taken for a ride.

National Economic Development and Labour Council (Nedlac) executive director Philip Dexter says 'this year we need to strengthen social dialogue'. He says we need to get agreement around mobilising investment and more importantly public service transformation.



*BSA negotiator Vic van Vuuren.*

'We need to see whether we are getting value for money from institutions servicing the labour market as well as others. We need an active government that does its job in order to attract investment. If, for example, we are not getting investment we need to look at whether those institutions responsible are operating properly,' he says.

### **Economic or people's summit?**

Vavi says the federation has, for some time, been calling for an economic growth summit or economic codesa. Cosatu has, however, proposed a people's summit ahead of an economic summit. Vavi believes this is necessary in order to unite the people's camp behind a broad framework before going to an economic summit/codesa. Cosatu's initial plan was that the series of bilaterals between itself and the ANC would lead to a people's summit (involving the ANC) and thereafter, the proposed economic summit. Cosatu sees this process as being between a people's camp led by the ANC vs the owners of the economy. At the time of

going to press it was understood that Cosatu might be persuaded to incorporate the people's summit into a broader economic growth summit. This would provide a way out for all parties as it was unlikely that the ANC would have been able to agree to participate in a people's summit.

Whether Gear failed or not, was a 'tactical response' and should no longer be the issue. Rather it should serve as a lesson of how critical it is to get the process right. The task at hand now is for labour, government and business to find a more collaborative way of moving forward to solve the economic woes of the country. A so-called corporatist model approach allows for all parties to believe that they emerged with something. Critical for labour is that it did not believe it had a 'voice' during the Gear process (as opposed to some elements in business) but now can be part of a process. The challenge (and the fear in some quarters) is whether the respective parties are able to engage in proper dialogue and whether weaknesses in structures will hamper deal making.



*Nedlac executive director Philip Dexter.*