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Trades and Labour Rights Globalisation: The Current Mode A Sophisticated Form of Madness

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MANAGING GLOBALISATION FOR PROSPERITY
Trades & Labour Rights
Globalisation - The Current Mode - A sophisticated form of madness

Introduction

The current model of globalisation has many fundamental deficiencies which must be critically analysed, identified and remedied.

The deficiencies are too numerous, complex and serious to deal with in detail at this seminar. However, I wish to identify some of the key concerns of civil society and pay particular attention to the issue of trade and labour rights and their role in the complex architecture of globalisation and trade liberalisation.

There are five key areas I'm going to look at today, they are;

1. Weaknesses of free trade;
2. Impact on Australia and the working families of Australia
3. Repression of workers;
4. The Ambulance Supported System of Free Trade; and
5. Action Proposals.

1. Weaknesses of Free Trade

In my assessment, the growing backlash against the current form of globalisation stems from the breadth of the problems and weaknesses of free trade. There is an emerging coalition of forces articulating a wide-spread concern and opposition to the excesses of globalisation. The weakness of the solutions offered by supporters of free trade and the unrealised promises contribute to a lack of credibility.

Such concerns include, but are not limited to:

- Growing financial instability, resulting in major economic shocks such as the recent Russian crisis, the near failure of several hedge funds in the US, and the Asian crisis.
- The failure of the International Monetary Fund and its neo-classical economic remedies to alleviate, as distinct from exacerbate the crisis.

- The massive ecological destruction in the pursuit of profit. International organisations have shown trends of environmental degradation are worsening in all key indicators such as - soil degradation, freshwater use, and greenhouse gas accumulation.
- Social problems being treated as a market problem. These problems should not be on the "market" in the first place.
- Labour being treated as no different to other factors of production or commodities.
- The pursuit by national Governments and some international agencies of a flexible "labour market". This flexibility has usually meant little more than the reduction or abolition of minimum wages, lower real wages, elimination of job protection, and sometimes the privatisation of social security.
- The alienation of civil society from decision-making processes.
- The growing gap between rich and poor countries and the gap within countries between the affluent and the disadvantaged.

For example, recent research done by the AFL-CIO shows this winners and losers scenario. The gap between the richest 20% and poorest 20% of countries has risen from 30 to 1 in 1960 to 60 to 1 in 1990 and 74 to 1 in 1995.

Similarly in the United States the salary gap between the Chief Executive Officers of the top fortune 500 companies and production workers has increased from 42 to 1 in 1980 to 419 to 1 in 1998.

- While many factors explain this growing inequality in the distribution of wealth and income it has certainly been accentuated by the violation of trade union rights, world-wide and the lack of implementation of the 8 core labour standards set by the International Labour Organisation.

- No. 29 Forced and compulsory labour (1930)
- No. 87 Freedom of Association and protection of the right to organisation (1948)
- No. 98 Right to organise and collective bargaining (1949)
- No.100 Equal remuneration for work of equal value (1951)
- No.105 Abolition of forced labour (1957)
- No.111 Discrimination in employment and occupation (1958)
- No.138 Minimum age for employment (1973)
- No.182 Worst forms of Child Labour Convention (1999)

- These indicators of the lack of a social dimension to globalisation are occurring at the same time as we witness the massive unconstrained and unregulated movement of capital.

Thus it is hardly surprising to see the growing scepticism and opposition from communities to the current globalisation model as well as the attempts to ridicule, intimidate and silence critics of the free trade globalisation religion.

In this context, the rhetoric and lack of tolerance I refer to, is highlighted by Michael Warby from the IPA and his address to "Free Trade Youth" on Saturday, 9 September 2000. In my view some of his comments are dangerous, divisive and concerning.

As Warby puts it and I quote:

"At Seattle and London we saw rage, but it was not the rage of the down-trodden, it was not even rage for the down-trodden, it was a rage of frustration, the frustration of the true believers in their own enormous moral importance being left with no place to go, no stage on which to strut with any seriousness except that of a vacuous street theatre.

And that is a rage worth not a scintilla of anyone's moral respect." End of quote.

At its best, this is the rhetoric of the intolerant; the defensive, the rhetoric of the elite and privileged; the rhetoric of the uninformed defender of the status quo.

The venom and intolerance of the IPA and others, including politicians of both major parties who have been captured by and capitulated to the free trade agenda, is a contributing factor to the problems, not the solution.

I, along with many other responsible citizens, were part of the protests in Seattle.

I have addressed S11 conferences in Sydney and Melbourne.

As a non-government organisation, accredited representative, to the Seattle Ministerial. I attended the official forums as well as the demonstrations. To portray the bulk of the protesters in a sweeping generalisation as engaging in "rage" and not worthy of anyone's moral respect, is patently incorrect.

The vast majority of the protesters were genuinely concerned at the negative effects of free trade and globalisation. They represented non-government organisations, unions, the elderly, youth, churches, environmentalists, local communities and individuals.

These people and their concerns cannot be ignored.

They must not only be heard but engaged.

The UN Human Development Report 2000 estimates that one in five people participate in a civil society organisation. Hence civil society must have a seat at the table which determines the way forward on globalisation. To continue to exclude them will only heighten opposition and civil disobedience to the point where the current system cannot function.

There must be a more integrated approach to the world economy and economic progress which emphasises the human, social and political capital required to sustain stable workable market economies.

It is completely unsustainable to segregate social, human, democratic and human rights agendas on the one hand from the economic and trade agenda on the other.

The maintenance of an open rules based multilateral trading system requires an acceptance that the market on its own will not deliver equitable outcomes.

To attempt to impose market based solutions, solutions based on economic theory that rely on mathematical generality is what Joseph E Stiglitz, the former chief economist of the World Bank, described as "a sophisticated form of madness".

2. *Impact on Australia and the working families of Australia*

I want to look briefly at how this *sophisticated form of madness* impacts on Australian society and the economy and then relate this to the need for new forms of regulation, particularly incorporating labour rights within the world trading system.

The political, economic, media and business elite have predominantly adopted the globalisation, free trade and economic orthodoxy without critical analysis. Australia has opened its economy to free trade at a faster and deeper rate than virtually any other comparable economy. In addition:

We have balanced our budgets.

We have privatised parts of our welfare system and virtually all of our government instrumentalities.

We have championed competition policy.

We have "reformed" our health, education, tax and industrial relations system (reform in this context is a huge misuse of the word).

We have promised great benefits to everyone from globalisation.

We have promoted the cult of the individual.

After all of these changes where are we now as a nation?

- We are a nation of working people with great insecurity.
- We have an Australian dollar declining against almost every currency and at historically low levels.
- We have a massive \$57 billion trade deficit in elaborately transformed manufacturing and no national development strategy to address this gap.
- We have one of the highest current account deficits in the world - constantly in excess of 5% of GDP whenever the economy grows by more than 3.5%.

- We have a manufacturing sector between 5 and 7% smaller than comparative OECD countries and are one of only 3 OECD countries where manufacturing growth during the 1990's was less than half that of economy wide growth.
- Relative to other OECD countries we are investing 1.5% less of our GDP each year in education, R&D and innovation. If this continues over the next decade we will have a knowledge deficit of some \$135 billion (cumulative over the decade in current prices).
- We have structural problems arising from over reliance in agriculture and minerals, and we are viewed as an "old" economy.

While much is made of our official unemployment rate of 6.3%, when 1990 structural benchmarks are used to adjust for casual and part-time jobs its closer to 10%; and when under-employment is added it is much higher still.

Simply put, having swallowed the whole free trade-economic rationalist agenda Australia remains beset with serious problems and growing inequality.

In addition, working people remain seriously exposed to any external shock, particularly one that would increase interest rates. For example:

Dr. Peter Brain, from the National Institute of Economic and Industry Research, indicates, we have avoided the consequences of a balance of payments crisis by:

1. Selling off the farm.
2. Low world interest rates cushioning Australia's economic problems.
3. A massive build up in consumer debt.

As we reach household debt saturation point, world interest rates increase and as we have less community assets to sell off and our dollar stagnates, the capacity to avoid the inevitable decline in workers living standards diminishes.

Amongst the solutions to these difficulties, my organisation, the AMWU, strongly believes that it is essential for Australia to develop a resilient, technologically sophisticated and export capable manufacturing sector. We understand that for Australian workers to live well, the companies they work for must produce and trade well.

However, a number of impediments to this proposal exist including:

- The prevailing economic orthodoxy;
- A lack of industry development policy;
- A Federal government with an Industry Minister "missing in action";
- Basic engineering skills being lost;
- A perception amongst many that Australia is unable to compete at either the high end or the low end of manufacturing.

Australian workers want an alternative to the free trade - economic rationalist agenda. This was demonstrated in a recent poll of 1200 voters in 18 marginal seats across Australia, undertaken by an independent consultancy group for the AMWU. Amongst the findings were the following:

- 53.5% of respondents believed jobs would become less secure in the next few years.
- 65% believed that jobs had become less secure in recent years.
- Overall, the Federal government was nominated as being responsible for the reduction in job security.
- More than 75% believed that Australia does its fair share in relation to free trade, or that Australia does more than its fair share.
- More than 82% believed that tariffs should be left as they are, or that Australia should increase import tariffs.

On the issue of manufacturing and tariffs, respondents were asked to agree or disagree with a range of statements:

- 80.1% believe that the Australian manufacturing industry is very important.
- 55.5% agreed or strongly agreed that reducing import tariffs means Australian business will become less profitable and employ less people.
- 56.7% people disagreed or strongly disagreed with the statement that tariffs just subsidise inefficient businesses and their employees.
- 91.1% agreed or strongly agreed with the statement that the Australian government should implement policies that protect the Australian manufacturing industry from unfair competition.
- 90.2% believe that the Australian government should do more to protect Australian jobs from competition from countries where employees earn very low wages.
- 98% believe that the Australian government should do more support innovation and growth in the Australian manufacturing industry.

As a result of this polling the AMWU has decided to campaign in marginal seats leading to the next election on the issues of jobs, job security, the maintenance of Australia's current tariff regime, and the implementation of a national development strategy for rebuilding manufacturing.

Too often it is forgotten that the promise of Government in the late 1980's was a trade off exchanging tariff reductions for a new industry policy built on R&D incentives and other initiatives. We've had the tariff reductions and the promised industry policy has been gutted. That is what angers so many Australian workers. The last thing they need is for the policy elite to see the survey results and conclude yet again that the problem is one of education and communicating more effectively the free trade message.

The AMWU recognises the need for Australia to engage in the global economy.

We do not believe in a fortress Australia.

It is true that much of the competition Australian manufacturing faces comes from high wage nations that largely comply with core labour standards. However there is also the issue of competing against low wage nations where the worst forms of exploitation are perpetrated against workers. Let me highlight a broad example of what I mean.

3. *Repression of workers*

A recent analysis of Queensland infrastructure projects indicates that \$1.5 billion dollars worth of manufactured projects will be produced overseas for Australian projects, even though some of the projects are receiving government assistance and many Australian firms are being denied a full and fair opportunity to bid for the work.

Some of this work is being carried out in countries such as Vietnam, Indonesia and China.

The hourly wage rate for production workers in these countries, from the US Department of Labor, Bureau of Labor Statistics are:

Vietnam 98 US cents.

China \$2.11 US cents.

Indonesia 14 US cents.

Not only are the wages low, but as the ICFTU recently reported these nations are also violating any sense of fair play and decent protection of workers. Take China and Indonesia as examples. In China:

- There are no independent trade unions in China, the official trade union is the All China Federation of Trade Unions (ACFTU) and is part of the ruling party's apparatus.
- There is no right to strike in labour law, and strikes have been continually rising in recent years. Strikes are not directed or supported by the ACFTU who are usually called in to get striking workers back to work.
- They are usually spontaneous arising from; non-implementing of labour law; non-payment of wages and low wages; poor working conditions and health and safety standards; long hours and forced overtime; instances of verbal and physical abuse. The law allows for strikers and organisers to be sent to forced labour camps.
- 1999 saw increasing unrest and dissent, rising unemployment and non-payment of wages pensions from the closure of state-owned enterprises were main concerns.
- Police were often called in to quell dissent, with force sometimes being used.
- Trade union and pro-democracy activists are periodically put in detention and singled out for harsh treatment.

In Indonesia the situation is similar:

- Under the Suharto regime industrial relations was seen as a security issue and hence justified the control of the only legal national trade union centre, the Pancasila.
- There is continued involvement of the army and the police in industrial unrest.
- In May 1998 and the election of the new government it was announced the workers could set up their own trade unions, as long as they complied with the law.

- Tripartite negotiations began with new trade union representatives to establish laws in accordance with ILO standards. The ILO has been included in the drafting of these bills (particularly the Trade Union Bill and the Labour Dispute Settlement Bill).
- Although the government vowed not to involve the army in labour disputes there have been reports of army interference, and the laws allowing the army to interfere have not yet been repealed.
- The Indonesian economy was hit hard by the Financial Crisis in Asia. Millions of workers lost their jobs. Disputes continued over a range of issues, namely; job losses; decreasing wages and rising prices (linked to requirements of IMF structural assistance programs); continuing army presence; lack of trade union rights.
- Over the ensuing massive strikes and protests against job losses, and demands for increased and better conditions there were reports of army and police involvement. For example in February workers demanding better pay and conditions erupted into violence when the army was called in. Security forces beat protesters and used water cannons, at another protest people were fired on wounding five.

With many potential Australian jobs lost from these infrastructure projects in Queensland (as well as other projects) to these low wage countries, is it any wonder that working people are questioning the correctness of pursuing the free trade model.

Australia is being faced with a massive amount of social dumping, where the violation of human rights, social rights, trade union rights and the lack of welfare systems provides an unfair advantage to companies relocating to these low-wage, low-social cost countries. And regardless of the economic consequences, such practices are morally repugnant and cannot and should not be tolerated by the international community.

Multinational corporations are exploiting the human resources of these countries to maximise profits regardless of the environmental and/or social consequences.

The recent International confederation of Free Trade Unions annual survey of violations of Trade Union Rights 2000 details the scope of the problems faced for working people around the world to effectively organise and increase their living standards.

A statistical analysis of the violation of trade union rights by ICFTU demonstrates the following:

(Show overheads....)

4. *The Ambulance Supported System of Free Trade*

We do not believe in what I would call the ambulance supported system of free trade offered by people such as Labor's Shadow Trade Minister Peter Cook. In his recent publication "Free Trade - Good for Australia and its Workers" Peter argues:

- Exports are the solution since 1.7 million Australian jobs depend on exports and exporters supposedly pay 37% higher wages than non-exporting firms.
- Tariffs are a tax on workers that destroy rather than protect jobs.
- Trade liberalisation between 1983 and 1996 "gave the average Australian family an extra \$1,000 per year".
- Free trade delivers the benefits and if we invest more resources in the ambulance service to collect those workers and communities hard hit by structural adjustment all will be well.

In my assessment the ambulance supported system of free trade is factually inaccurate, fundamentally deficient and doesn't tackle the problems. For example:

- The alleged higher wages paid by exporting firms is more a function of the size of these firms and the industry sectors they are in. Peter Cook does not acknowledge that better wages and conditions are also associated with firms competing against imports. He can't seem to acknowledge that Australia's imports of more than \$80 billion of ETM's might be an international business opportunity.
- The modelling of Dr. Peter Brain and NIEIR suggests the exact opposite of the alleged gains to workers living standards from trade liberalisation. They also suggest trade liberalisation was a contributing factor to the growing inequality in Australia over the past 2 decades.
- And instead of simply relying on Peter's ambulance service to pick up displaced workers and hard hit communities the AMWU promotes a national development strategy to rebuild and expand the manufacturing industry in Australia.

During the 1990's half of all OECD countries had manufacturing growing faster than economy wide GDP. Why not Australia?

As I have suggested, the AMWU believes that the current model of globalisation and free trade is not in the interests of Australian working people.

On this basis we will continue to argue for a fair trade model as distinct from a free trade model where big business is free to destroy the environment, ignore basic human rights and trade union rights, intimidate national governments, conspire with crony capitalists to deny workers their human rights.

The AMWU wants to move from the free trade model of globalisation which, in our view, is a sophisticated form of madness, to a model of globalisation which incorporates the needs and aspirations of civil society.

5. *AMWU Action Proposals*

We are committed to building a bridge between respect for civil society, core labour rights and the maintenance of an open rules-based multilateral trading system.

However, the AMWU believes that a number of proposals should be looked at seriously by proponents of free trade and a proper sophisticated dialogue take place between the proponents of free trade and fair trade on a number of issues fundamental to managing globalisation for prosperity. This should include:

1. Steps should be taken to immediately commence the debate between the ILO and the WTO on a process to implement core labour standards in all trading nations. The AMWU and the Australian trade union movement support the ICFTU proposal for a body in WTO to design options for a system of trade inducements and trade disciplines to apply to countries complying/not complying with core labour standards.
2. An analysis should be made of the appropriate environmental controls to ensure the ecological sustainability of free trade and globalisation.
3. An international analysis should be undertaken on the options needed to reform the WTO/IMF/World Bank and other structures of the globalised economy. It is time also for this issue along with others that I have raised to be taken up within the APEC Forum. APEC must stop trying to dither to the Australian agenda of equating trade liberalisation with simply tariff reductions.
4. Options for the implementation of a Tobin Tax on the speculative movement of capital must be developed. This has been endorsed last year by the Canadian Liberal Government and the Canadian Parliament.
5. Action should be taken to ensure that multinational corporations pay their fair share of tax and tax havens become outlawed.
6. Debt write-offs for poor countries should take place immediately.
7. A social audit should be conducted within Australia to analyse the effects of globalisation and free trade and the distribution of the benefits or otherwise of free trade. And such an examination can't simply involve the Productivity Commission and the Orani-Monash model regurgitating support for the ambulance supported free trade model.
8. An assessment should be made of the effects of social dumping and the economic incentives provided to multinational corporations to exploit working people in nations where they are denied human rights, trade union rights, and social safety-nets.
9. Australia should develop a sophisticated industry development policy and national development strategy to build and expand its manufacturing base.
10. A hypothecated tax (like the Medicare levy) should be implemented to encourage a substantial increase of investment in education and innovation, so that the knowledge nation can become a reality.

Conclusion

Parts of this agenda I have sketched are being progressed. For example, it is encouraging that this week in Washington high level discussions between ICFTU leaders and the head of the World Bank and the IMF have been taking place, particularly on incorporating labour standards into the global trading system. There are also signs of growing support to develop options for implementing a Tobin tax and using the proceeds to finance poverty alleviation, social development, as well as providing support for countries moving to comply with ILO core labour standards. The AMWU views these developments as key national and international priorities for Governments.

As I mentioned previously the Canadian Parliament has already endorsed a Tobin Tax. The proposition is to put a very small tax of between 0.1-0.5 per cent on speculative currency exchange transactions, therefore limiting excessive exchange rate volatility, such as was seen in the recent crises in Russia, Asia and Brazil. The tax is a progressive one, therefore only targeting those profiting from destabilising speculative currency transactions. In an article last Sunday in the Sun Herald (22/10/2000) an American currency speculator was interviewed regarding the decline in the A\$, he said, and I quote;

The Aussie dollar has become a great currency to [sell] short and make money as it sinks downwards." End of quote. This kind of tax is necessary to reduce this kind of short-term profiteering, and the revenue raised would be used in alleviating global environmental and social problems, as well as providing an inducement to adhere to human rights standards.

However, I am under no illusion to the opposition that will come from such initiatives. Even the soon to be announced U.S. Jordan trade agreement which in draft form embraces ILO core standards and is supported by Jordan's Government, unions and employers, as well as the unions and Government in the U.S., is being vigorously opposed by American multi-nationals. It is their opposition that will define the opposition and global campaigns in coming years over much of the fair trade versus free trade debate.

There are obviously many other initiatives that need to be taken, however, the debate in this country is in its infancy and you can be assured that the AMWU will be pursuing in a very vocal way the need for a critical analysis of the effects of free trade and globalisation on not only Australian workers, but on exploited workers internationally.

Thank you.