Australian Labour, Multinationals and the Asian-Pacific Region

John Alford

Australia's labour movement faces critical problems - widespread unemployment and a major restructuring of manufacturing industry - which it has not faced together before, even during the depression of the 1930s. These problems arise in the first instance from the generalised recession which hit the capitalist world in 1974, and from the rationalisation of industry which was the response to that recession of capital everywhere.

But Australia's problems are more profound and complicated, because of its peculiar location in the global capitalist system, and because that system is undergoing fundamental rearrangement. For Australian workers, prolonged industrial crisis is a possible result. What is peculiar about Australia's location in the imperialist framework is that it is neither an underdeveloped neo-colony nor a mature imperialist centre. Rather it occupies an intermediate position. As the framework is rearranged, so too is Australia's position within it. This change, which began in the mid-1960s and which the rationalisation of industry has accelerated, consists in a shift from a centre-periphery (metropolis-satellite) system to a multinational matrix. The former, which Pierre Jalee dubbed "a world sliced in two",[1] entailed a division between a subordinate Third World exporting raw materials and a dominant advanced capitalist world producing industrial commodities. Australia's role within it has been that of a junior imperialist partner, characterised domestically by steady import-substituting industrialisation under the aegis of foreign investment. In other words, it is developed but also dependent.

The latter, a multinational matrix, entails an international organisation of production, on a grid which cuts across centre-periphery relations and integrates a number of Third World countries into industrial production. For Australia, this could mean dramatic shifts within and between sectors of the economy, and the obliteration of a substantial proportion of manufacturing industry, as it is slotted into this grid.

Whether it <u>will</u> have such serious results depends on political factors, which themselves stem from the very fact that Australia is developed. It has: a strong, combative urban working class; an influential national fraction in its capitalist class; a sizeable and prosperous middle stratum; and a functioning although not perfect liberal democracy.

These are attributes of most of the developed capitalist countries, and therefore demand of both multinational capitalists and the Australian labour movement that they employ sophisticated strategies appropriate to those countries. In the case of the multinationals and their representatives in the Liberal-Country Party government, this means a strategy of crisis-management (this is a piecemeal but systematic industrial restructuring and erosion of social spending, democratic

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liberties and union strength) backed up by an unusually compliant mass media and the neutralisation of some sections of labor through a limited export-led industrialisation. In the case of the labor movement, the strategic responses of the most advanced workers' movements in the developed capitalist countries, notably in Western Europe (that is, union intervention in corporate plans together with governmental leverage over the corporate sector), have an urgent relevance.

To that extent, the industrial crisis is the arena for a contest for hegemony - that is, the type of positional struggle characteristic of mature bourgeois societies. The outcome will give an enduring dominant position to whoever wins, whose strategic leverage will be massively enhanced. For the multinationals' bloc, a successful restructuring would mean the permanent reduction to impotence of the labor movement, and the balkanisation (and hence political weakening) of the national entity. For the labour movement, the only effective way to deal with the immediate problems of the restructuring (one enlarging the influence and concerns of the working class) necessarily contains within it an impetus toward a socialist alternative for Australia. This is what is profound about Australia's industrial problems.

What makes them complicated is the specific way in which Australia's development is dependent and subordinate. For the multinationals, the complication is that an economic restructuring will undermine what makes Australia useful as a junior imperialist partner: its stable polity and sophisticated industrial infrastructure. For the labour movement, the complications are twofold. One is that Australia's position thus far as periphery to the American imperial centre seriously limits its domestic, especially industrial, options. It does not have the same room to manoeuvre as, say, France or Italy. The other is that as it passes into a multinational matrix in the Asian-Pacific region, Australia's problems become intimately bound up with those of countries in that region, demanding a new and truly sophisticated perspective for the labour movement, which has historically been insular and even racist in outlook.

This paper will explore some of these problems and possibilities. Part 2 will describe the shape and direction of Australia's industrial crisis. Part 3 will analyse its relationship to economic and political developments in the Asian region. Part 4 will examine the response to the crisis by Australian unions, and will suggest the implications for that response of Australia's links with Asia.

Australian Industry in Crisis[2]

Australia's industrial crisis spelled the end of the same prolonged economic boom which created its preconditions. The boom, a period of sustained growth and high living standards from World War 2 to the end of the 1960s, paralleled and was related to that of the advanced capitalist world. That it occurred despite a powerful foreign economic presence, which in Third World countries was stifling the possibilities of industrialisation, had to do with the peculiar features of Australia's political economy, rooted in its historical development since the latter half of the nineteenth century.

As a junior imperialist partner within a centre-periphery relation between Britain and the South-East Asian region, Australia actually benefited from its role as a supplier of minerals and agricultural products, especially wool. Growth of these "staple" exports stimulated a demand for capital, labour and technology via linkage effects, backward to home production of inputs to the export sector, and forward to investment in industries processing the staple

exports.[3] In turn this initiated the formation of a local bourgeoisie and a militant working class, which constituted expanding markets for further growth, sanctioned by Britain's need for a stable imperial outpost in the region. These factors set the stage for successful import-substituting industrialisation after World War 2, which underpinned the long boom.

The war itself was the initial impetus. It simultaneously broke Australia's trading dependence on Britain, necessitating industrial self-sufficiency, and mobilised domestic industrial resources, skills, capital and technology under a favourable ideological climate and a war-time interventionist state. And significantly, it laid the basis for Australia's political, military and economic co-operation in the expanding American sphere of influence.

An immediate postwar economic upsurge followed, in the context of which was established a consensus between domestic and foreign capital, development technocrats and both major political parties as to the need for high levels of growth and employment, reflected in the Treasury White Paper of 1945, Full Employment in Australia.

This upsurge continued with only small fluctuations for nearly three decades, fueled by a combination of internal and external factors arising from Australia's intermediate location in the world economy. Chief among these was the fostering of an import-competing manufacturing industry, oriented to the local market, through high levels of protection, made possible by the postwar economic policy consensus. This industrialisation, of which the motor car, consumer durables and petrochemicals industries formed the backbone, was marked by continuing technological innovation.

Almost as important was the steady inflow, deliberately encouraged by the Liberal-Country Party government, of foreign private capital, mainly into manufacturing industry until about the mid-1960s, then into mining. Foreign investment in manufacturing, attracted by the high protection levels, was mainly British but increasingly American. In mining, it was overwhelmingly from the United States.

In both sectors, foreign control was the inevitable corollary of foreign investment. In manufacturing, at least 75% of the value of production was by 1967 overseas control in automobiles, non-ferrous metals, oil, industrial and heavy chemicals, and pharmaceuticals. By 1972, 87 of the biggest 200 manufacturing corporations were foreign-controlled. Over 57% of mining production was under foreign control in 1972, of which 70% was American.[4]

Another component of the sustained growth was the exploitation of migrant labour, facilitated by a major immigration program, which accounted for over half[5] of the increase in the workforce between 1949 and 1973. This partly contributed to lessened working class militancy through the 1950s and early 1960s, the other contributing factor being a Cold War anti-labour ideological onslaught by the conservative government and media. With the dampened militancy went a boom in profits, measured by a transfer of ten per cent of the share of GNP from labour to profits during the early part of the boom. All of these factors operated within a favorable international expansionary climate and a stable monetary system under the hegemony of the United States.

This steady industrialisation, and the high living standards it engendered, were congruent with Australia's intermediate location in a specifically centre-periphery imperialist framework. As a junior partner to the American imperial

centre, Australia functioned as a "springboard", in political and military terms as well as economic ones, to Asia and the Pacific. More than a few American corporations, such as Ford and IBM, established regional headquarters there.

By the end of the 1960s, the Australian economy was functionally and structurally dependent, precisely because of the long boom. First, the very factors which permitted its sustained growth despite its non-metropolitan location in world capitalism (namely high protection, restrained real wages and foreign investment in manufacturing) also left it peculiarly vulnerable to adverse changes in global economic conditions, in two respects. One was the steadily higher costs of its capital-intensive industries, such as steel and chemicals, resulting from its being geared only to the small and often crowded local market, which precluded economies of scale. The other was the relatively higher costs of its labour intensive industries, such as clothing, furniture, textiles and footwear, compared to those in the Asian region. This was reinforced by the growing militancy and strength of the union movement after two decades of close to full employment. Manufacturing companies, especially foreign-controlled ones, began to respond to the consequent falling profit rates from the late 1960s onwards, gradually running down capital equipment or starting to move production offshore.

Alongside this functional weakness was a thoroughgoing structural dependence, bound up with the dominance of foreign capital. This circumscribed the ability of the Labor Government to mobilise domestic resources and industrial assets in such a way that the worst effects of economic downturns could be countered. When the inflationary pressures of the early 1970s erupted into a crisis of over-production in 1974, the world recession hit, and sparked a rearrangement of the global capitalist framework. Australia plunged into an enduring industrial crisis, its manufacturing sector acutely vulnerable to the cyclical trough and the subsequent structural shake-out.

Production fell by more than 10% in the eighteen months after the start of 1974, and capacity utilisation by 13%.[6] For workers, the effect was immediate: unemployment almost trebled in the second half of 1974. It steadily increased thereafter, and now stands at 7% in a country where it was never higher than 2.5% for nearly three decades. Large numbers of small businesses foundered, and several large corporations had to seek government assistance to help them out of financial troubles.

Responses by domestic and foreign capital to this crisis have been varied, and subject to the complex vicissitudes of government policy since 1974. For present purposes, it is sufficient to broadly describe the (differential) investment strategies of domestic and multinational companies in Australia, and the concomitant economic strategy of the Liberal-Country Party government under Prime Minister Fraser. Their wider implications will be elaborated below.

Companies which remain viable through the recession, mainly larger corporations in concentrated markets, are individually responding to the current adverse conditions above all by restructuring their operations. How each one does so depends on its type of industry and whether or not it is domestically or overseas-owned. A 1977 survey for the Department of Industry and Commerce[7] identified the specific types of corporate plans:

1. Disinvestment and consolidation
2. Investment in new and/or labour-saving equipment

3. Cessation of integrated manufacturing through increased buying in of semi-finished materials and assemblies from overseas

4. Reduction in import-competing production

5. Extension of non-manufactured attributes of products (e.g. servicing, design, fashion)

6. Diversification into non-manufacturing activities, especially the mining and service industries

7. Shift of production off-shore, almost always for export replacement rather than for re-export to Australia.

Broadly speaking, multinational companies are able to employ the full range of these strategies in an offensive way, to strengthen their long-term positions. They can secure marketing, technological and cost advantages within the Asian-Pacific matrix, utilising footholds already established there, and backed up by global sourcing of finances, expertise and technology.

Domestic firms, on the other hand, tend to be forced into defensive postures, to maintain their short-term positions, except when they are very big and powerful. Disinvestment, consolidation, reduction in the range and scope of domestic activities are their characteristic responses. To the extent that they pursue aggressive strategies, such as moving off-shore or diversifying into non-manufacturing activities, they either find themselves at a competitive disadvantage against the multinationals, or tend to invest heavily in labour-saving equipment or processes.

Whichever of these strategies companies pursue, the net effect is to reduce the number of jobs in Australia, as well as to deskill labour and shift control over the production process further into the hands of management. For labour intensive manufacturing industries like clothing or textiles, the prospect is one of either technologically-induced redundancies or the export of jobs to low-wage havens overseas. For capital-intensive manufacturing industries, it is at best one of jobless growth through cost-cutting technology and expansion of exports, but more likely of a capital run-down and market stagnation, leading to a phased decline in the workforce.

The only section of the Australian economy experiencing an upsurge is the mining/energy industry, which is highly profitable. Coal, iron ore, nickel, copper, uranium and aluminium are all minerals Australia has in abundance, and for which there are big potential and existing markets. Being export-oriented and capital-intensive, this sector suffered less from the domestic market downturn and big pay rises of recent years. And being overwhelmingly foreign-controlled, it is part and parcel of the rearrangement of the imperialist framework. As the multinationals profit from the construction of the regional production grid, so too does Australian mining with its guaranteed, if subordinate role in it.

The minerals upsurge, however, has little benefit for most Australians. Firstly, it employs much less labour relative to output or profits than does manufacturing. Australia's biggest company, the steel-maker BHP, employed 60,000 people for its $100 million profit last year, whereas the American-owned Utah Development Company, mining Queensland coal, employed only 3,000 people for a profit of $137 million.[8]

Secondly, in a process partly encouraged by government financial policies, it attracts investment away from manufacturing industry, where its job-creation effect would be greater. For instance, BHP is now directing new investment into mining and oil rather than steel.

Thirdly, the growth of the mining sector tends to fragment Australia politically. It is concentrated in the same states (Queensland and Western Australia) which industrialised least during the long boom. These two states, under extremely rightwing Premiers, vocally assert the vested interests of foreign mining capital, even against the more broadly based policies of the federal Liberal Government. Queensland Premier Bjelke-Petersen, for instance, early in 1978 seized a previously autonomous Aboriginal settlement against the stated opposition of the Federal government. The settlement was located on a bauxite-rich area on the Cape York peninsula. Historic sentiment in favour of secession in these states will be fanned by this trend.[9]

Fourthly, increasing dependence on mining will leave Australia vulnerable to ups and downs in prices on world mineral markets.

At the same time, the tertiary and services sector, currently the largest employer, holds out little prospect of accommodating the need for jobs. Transport is undergoing rationalisation, in which giant private freight corporations, assisted by government transport authorities, take over labour intensive public rail freight services and replace them with computer-scheduled, containerised road carriers.[10] Office workers in banking, insurance and finance, and supermarket employees, are being displaced by computer technology and electronics,[11] whose installation cost is rapidly decreasing because of the expansion of their production in Asia. And the government is seeking to reduce the level of health, welfare and other social spending, and with it the level of public service employment.

The scenario of Australia declining into a "milk bar economy",[12] with a vast under-employed urban population eking out a precarious existence through fringe commercial, and tourist-oriented activities, is therefore not inconceivable. Whether it is probable depends, as already intimated, on political factors.

The policies of the Fraser Government are however explicitly designed to accelerate the economic restructuring, with only a "tactical" regard for the employment consequences insofar as they affect the voters' hip-pocket nerves. Since its election in December 1975, the government has attempted to systematically manage the integration of Australia into the Asian multinational matrix, seeking to juggle contending factional interests in the capitalist class and to neutralise, defuse or where necessary beat down labour movement resistance.

The ever-present thrust of this policy, of course, is to foster the offensive strategies of the multinationals. Foreign investment is eagerly welcomed, especially in export-oriented mining projects. Export incentives, massive publicly-financed infrastructure, and tax concessions such as an investment allowance which promotes labour displacing technology, all richly benefit mining companies. And the locus of decision-making about industrial development is being shifted through Fraser's "New Federalism" policy to the individual states, which are more likely to be amenable to multinationals' needs.

At the same time, the government is forced to take account of the needs of domestic capital, which still has a powerful voice within the Liberal Party and

parts of the national bureaucracy. Partly this has resulted in short-term concessions in conflicts of interest, especially over protection. The government projected a long-term phased reduction of tariffs, which would assist integration into Asian trade, in a White Paper in 1977.[13] But the time-scale is long indeed, and very high temporary protection has recently been accorded many industries, particularly locally-owned ones such as textiles, clothing and footwear.

To offset this short-term resistance, the government is seeking to co-opt at least part of domestic manufacturing capital into the regional restructuring, while assisting the defensive strategies of those local firms unable to participate in it. This is Fraser's promised "export-led recovery". It is mentioned frequently by government leaders, as much to reassure domestic capital as for voter consumption. Its central device is a vigorous and largely successful effort to reduce real wages, in order to make Australia competitive on world markets. This is pursued on the one hand by pressuring the semi-autonomous Arbitration Commission to grant wage rises which do not match the rate of inflation. On the other hand, it is imposed through the deliberate maintenance of a high level of unemployment, through severe cuts in government social spending, in order to dampen worker militancy.

This policy of reduced real wages and the redirection of government social spending towards subsidies for industry has the subsidiary effect of aiding the defensive rationalisation of the weaker sections of domestic capital, which is consequently more likely to mute its opposition in the short-term to what must inevitably harm it in years to come.

Whether the "export-led recovery" will succeed, and thereby deflect potential resistance by national companies and indirectly by the labour movement to the overall restructuring, is improbable. Its essential pre-condition is a global upturn in demand for Australian exports. But investment hesitance due to cyclical trends presages a difficult period for those commodities, notably minerals, in which Australia has a natural advantage.

More importantly, the continuing stagnant level of consumption at home and abroad aggravates the unit cost problems of Australian manufacturers, whose existing production runs are less than optimal even in buoyant periods. By comparison, multinationals can cope better with the stagnant demand through their Asian processing zones, producing more cheaply with lower wages and flexible, sophisticated technology such as advanced numerical control machine tools.

The only type of export industry which could grow is the sort which fits in with multinationals' regional investment plans. This means the establishment of industrial facilities here which form only parts of, and stages in, production processes which are organised right across Asia. Each facility in each country (e.g. an axle plant for a car company) would perform only one function in producing the whole product, but would gain economies of scale in that it is oriented to the entire Asian or export market. But because of the relatively higher wages and militancy of Australian workers, multinationals are likely to establish only capital-intensive facilities in this country. Government surveys of industry[14] indicate that export-oriented partial processing, on a scale too large for the local market alone, is the focus of the biggest manufacturing investment projects. Again, jobs and bargaining power for Australian workers are the victims rather than the beneficiaries.

For both cyclical and structural reasons, therefore, an "export-led recovery" is an unlikely prospect for creating jobs in Australia. It is advocated more for political than economic purposes. If the industrial crisis continued unchecked, Australia may slip from its intermediate location in the imperialist framework. It may have more in common with the other dependent nations in the region than with its imperial American patron, as the multinational matrix takes shape. At the very least, the fortunes of Australia's labour movement will be increasingly affected by developments in the region, to which we now turn.

The Emerging Asian-Pacific Multinational Matrix

The rearrangement of the imperialist framework in Asia from a centre-periphery system to an international production grid is not the grant design of any super-imperial agency. It is rather the outcome of the interplay between the industrialisation programs of a number of Asian governments (South Korea, Taiwan, Philippines, Singapore, Indonesia, Malaysia), pushed by key international development agencies, and the investment plans of the multinational corporations. It complicates the rivalry between the imperialist centres of Japan and the United States.

As each of these Asian nations either achieved political independence after the war (Philippines, Singapore, Malaysia, Indonesia) or was constituted as an anti-communist state after a military contest (South Korea, Taiwan), it found itself in a classic periphery relationship to the advanced capitalist centre, supplying mineral or agricultural raw materials, or dependent on massive economic aid to remain viable. Enormous foreign exchange deficits were a concomitant problem. Each country responded with some sort of import-substituting industrialisation program,[15] often at the urging of development theorists and advisers from Western countries.

These programs were practical expressions of postwar nationalist aspirations for economic independence, while acknowledging that Third World industries could not compete on more advanced global markets. Their common strategies were:

1. establishment of import-substituting industries where home markets already existed for imports, in order to promote growth of other industries through backward and forward linkage effects.

2. reduction of foreign exchange-consuming imports.

Both these strategies were generally pursued through high levels of protection. Taiwan and the Philippines implemented them first, in the early 1950s. South Korea, Malaysia and Singapore followed several years later. Indonesia joined them in the mid-1960s.

Each country achieved some initial success, but after a period the same centre-periphery relationship which was the target of the strategy became the cause of its failure.[16] This was because the capital for this development was overwhelmingly foreign, and the mechanisms set in motion by foreign capital tend to undermine those aspects of the development programs which might benefit popular interests. The predominant role of foreign capital was partly because the high protection walls induced multinational companies to move in behind them and set up local production, and partly because the larger comprador governments deliberately encouraged it through tax concessions and subsidies.

It assisted neither accelerated industrialisation through linkage effects nor reduction in foreign exchange deficits. First, the techniques, production processes and market orientations of the multinational-sponsored enterprises confined the industrialisation to enclaves. It was capital-intensive, it was geared to global rather than indigenous technology transfer patterns, and having high unit costs it was aimed only at luxury consumption. Neither the backward nor forward linkages operated. Second, the specific types of capital goods requirements of multinationals, alongside their transfer pricing and profit-repatriation patterns, actually further drained foreign exchange reserves.

By the late 1950s, import-substitution was a manifest failure in Taiwan and the Philippines, and other Asian countries were also experiencing difficulties in the following decade. One by one, they began to adopt a new approach: export-oriented industrialisation. This policy was justified in terms of the failure of import-substitution to:

1. provide employment for a rapidly growing labour force
2. create foreign exchange reserves
3. assist the influx of technology.

Employment opportunities and indigenous technological capacity, it was argued, would expand with the encouragement of labour-intensive exports.

A more likely motive for the policy, however, is to promote international competitiveness in sectors of these economies, so that they more readily mesh with global market imperatives. UNCTAD Secretary General Prebisch articulated this rationale in 1964, when he criticised the high protection in import-substituting strategies "because it had encouraged the establishment of small uneconomical plants, weakened the incentives to introduce modern technique and slowed down the rise in productivity".[17] Employment seems to be a consideration external to this critique.

The real thrust of export-oriented industrialisation, of which UNCTAD is one key proponent, is to make these countries suitable recipients of certain parts of the multinationally organised productive process, for which they each provide competitive inputs. That this is the case is clear from the fact that the source of capital and technology to carry out the policy is necessarily the multinational corporation.

It is to foreign private capital, indeed, that the policy planks of the export-oriented strategy are directed. Competitive bidding for the attentions of multinational investors is marked between the Asian Governments.[18] Cheap labour is the first offer in this bidding. It is guaranteed by restrictive labour laws, formation of state-controlled unions and enforcement of low wages and oppressive working conditions. In addition, multinationals are enticed by substantial tax concessions, easing of restrictions on profit-repatriation, lack of pollution-control laws, cheap land, port and transport facilities and lower protective barriers.

Taiwan began the process in 1958, with a policy package including the abolition of multiple exchange rates, devaluation, tariff reductions and taxation rebates on materials used in export production.[19] South Korea and Singapore followed soon after. Central to the strategy has been the creation of industrial enclaves, called "free trade zones" (FTZ) or "export processing zones" (EPZ).[20] UNIDO,

which since its founding in 1967 has widely promoted their establishment through the Third World, describes these zones thus:

> Entrepreneurs are invited to carry out manufacturing activities within the fenced-in area of free zone. Here, customs freedom is offered on imported production means and equipment, raw materials and components. Also preferential treatment is given on capital and income taxes, repatriation of profits, cost of utilities, etc. In many cases, various other kinds of fiscal and physical incentives are additionally provided to attract entrepreneurs to establish themselves in the industrial free zone.[21]

UNIDO does not mention one other, much more important feature of the zones: very cheap and trouble-free labour. The aforementioned labour policies of the Asian Governments apply with special force in the FTZs. Wage rates tend to be lower even than in the rest of the country, and zone authorities apply working condition regulations with discretion that favours management. For corporations, the special attraction is that they can virtually leave the handling of their relations to the zone representatives of the dictatorial Asian regimes. There are labour disputes, but they are settled swiftly and ruthlessly. High unemployment in areas surrounding the zones usually reinforce this pattern, undercutting incipient worker organisation.

Taiwan, again, was first to set up such cheap-labour havens, with the Kaohsiung EPZ in 1965 and the Taichung and Natze EPZs in 1970. South Korea followed suit in the latter year with the Masan Free Export Zone, and in 1972 the Philippines set up the Bataan EPZ and Malaysia the Bayan Lepas FTZ. There are now at least 22 such zones throughout the Asian region, with a total investment and export value running into several billions of US dollars.[22]

Export-oriented industrialisation got under way at a very propitious time for the investment plans of the multinationals. Faced with steadily mounting wage costs and labour shortages in the advanced countries, resulting from the long boom developing union militancy, they were eager to take advantage of cheap labour especially in the labour intensive industries such as textiles and electronics. An executive of Motorola told the US Senate Subcommittee on Multinational Corporations that his company had moved to South Korea for competitive reasons, which were not simply to do with lower wages. "That is a part of it", he said, "but also, it is hard to find people in the US to take on that low skilled work."[23]

For corporations in the more capital-intensive industries, the continuous increase in average optimal plant size, pushed by relentless competition in technological innovation, was running up against the limits of the metropolitan market whose growth rate was slowing. Lower unit costs or new expanding markets established with their benefit seemed the obvious solution, and economic developments in Asia seemed to provide it. Numbers of heavy industry firms began to conceive investment strategies in terms of regionally integrated production in Asia and the Pacific.

Each country could provide a useful setting for one portion or stage of the company's Asia-Pacific-wide operation, specialising in whatever it had a comparative advantage in: abundant labor, raw materials or technology. Huge plants, oriented both to a potentially fast-growing regional market as well as to customers in the advanced capitalist centres, could achieve massive economies of scale and substantially lower unit costs. And they would not be bothered by the pollution regulations which beset large plants in the Western countries.

The "complementation" plans of the automobile makers illustrate this strategy. They will involve sourcing components in countries with low costs, then using these components commonly in the assembly of vehicles in several countries. Ford, for example, already has subsidiaries assembling "completely knocked down" (CKD) imported car packages in: South Korea; Taiwan; Thailand; Malaysia; Singapore; Indonesia and the Philippines, and also operates engine production (South Korea); axle production (Indonesia) and body stamping (Philippines).[24] The Industries Assistance Commission was told confidentially by auto-makers in 1973 that this pattern would develop further in the future.[25]

These corporate investment strategies go hand in hand with the international economic and aid policies of the governments of the advanced capitalist nations. In the United States, President Nixon's "Guam Doctrine" set forth in 1969, and rapproachement with China, laid the basis for a "Pacific Basin" perspective, conceiving an integrated economic region under the hegemony of American capital. This had been preceded by the rationalisation of debt schedules and aid arrangements for Malaysia, Thailand, Indonesia and South Korea, and the establishment of the Asian Development Bank in 1966.[26]

Subsequently, America created the Overseas Private Investment Corporation in 1969. Its stated function was to "mobilise and facilitate the participation of US private capital and skills in the economic and social progress of less developed friendly countries and areas". The following year, Nixon appointed a Commission on International Trade and Investment Policy, which reported to him in 1971. It advocated full freedom for corporations to move offshore, "even if it is occasionally associated with shifts in production and jobs", and recommended the reduction of certain taxation impediments to foreign investments, to which Nixon agreed.[27]

In Japan, the government orchestrated a similar reorientation of investment strategy, when the phenomenal domestic growth rate slowed at the end of the 1960s, as costs mounted and markets stagnated. Its political partnership with America obliged it to commit itself more than before to the development of Asian countries, through its involvement in such agencies as the World Bank and the Asian Development Bank, to support American economic strategies. This obligation became more acute with the withdrawal from Vietnam, and US insistence that Japan shoulder some imperial responsibility, especially for Korea and Taiwan. Government agencies such as the Export-Import Bank and the Japan International Economic Co-operation Agency are primarily geared to this task.

A report by a top-level advisory group to the powerful Ministry of International Trade and Industry in 1974, Long-Term Vision of Industrial Structure, spelt out the shape of the Japanese business reaction to the recession:

> Japan will retain and encourage the branches of the machinery industry that yield high added value, but production facilities of the industrial branches such as textiles which involve a low degree of processing and generate low value added should be moved to developing countries where labor costs are low ... so that Japan can concentrate on highly technology- and knowledge-intensive industries. Also, the shares in our gross output should be lowered for intermediate industrial materials such as crude steel, petrochemicals, non-ferrous metals and pulp ...[28]

The extent to which this "vision" is being actively realised by the government is clear from the series of massive investment projects arranged by former Premier Tanaka in three regional tours in 1974. All are heavily state-backed, industry-wide plans entailing export of large plants and equipment from Japan.[29] FTZs are key components in each of them.

Whether these imperialist strategies will exacerbate rivalries between Japanese and American capital is difficult to assess. Certainly both have a big stake in the region. David Rockefeller said during a Singapore visit in 1970 that American oil companies would invest US $45 billion in the region in the next decade, while MITI forecasts total Japanese investments there to 1985 at US $80 billion.[30] Any of three developments are possible. One is intensified competition for markets and production bases, complemented by aggressive trade, monetary and protection postures on the part of the two governments. A second is the division of the area into spheres of influence. This is suggested by the Japanese focus on South Korea and Taiwan and the American focus on Indonesia, the Philippines and Thailand. But it rests uneasily with the regionally integrated nature of the emerging imperialist framework. A third, suggested by surveying a sample of investment plans, is co-operation between Japanese and American corporations in joint projects, with rivalries working between multinationals within the matrix rather than between nationally-based groupings of capital.

Whichever development eventuates, the ultimate shape of the Asian-Pacific region overall is clear. America and Japan will provide capital, technology and managerial planning; the Asian states will provide cheap labour and commodities and, to some extent, expanding markets; and Australia, New Zealand and Canada will provide energy, minerals and agricultural products.

There will, of course, be differential trends within these broad patterns, especially in the Asian countries. Some of them envisage in their development plans a growth in capital-intensive industries applying high levels of skill and technology, for example South Korea (in electronics, steel, machinery and shipbuilding) and Singapore (in petrochemicals, plastic and synthetic fibres, engines and turbines and specialised instruments). Rising real wage rates (relatively speaking) in South Korea and Taiwan are already inducing some corporations in labour-intensive industries to relocate in South-East Asia. Other Asian countries, such as the Philippines, Thailand and Malaysia, still emphasise labour-intensive exportd in their development plans.[31]

Already the impact on Australian industry has been serious. Multinationals setting up production in these countries enjoy a major competitive advantage over Australian producers, either in much cheaper labour costs or in lower unit costs gained through economies of scale. Severe import pressure, softened only by the very high levels of protection mentioned previously, has been the result for Australian manufacturers, especially since the recession.

Between 1968-69 and 1975-76, Asia's manufactured imports into Australia grew at an annual rate of 28%, more than double the rate for imports from the rest of the world. Its share of Australian imports more than doubled to 10%, while those from Europe and America declined.[32] But although these Asian export performances may seem impressive in aggregate statistical terms, the strategies behind them will fail to resolve the pressing daily-life problems of the vast masses of working people in these countries. In fact, they will aggravate them.

Firstly, the terms of employment virtually by definition are not improved. Where capital-intensive export-industry predominates, it provides very few jobs. And the main precondition for multinational investment in labor-intensive industry is that labour is cheap and easily exploitable, i.e. that it gains scant benefit from the type of industrialisation. What is more, the elimination of tariff barriers to attract multinational capital erodes what little import-competing industry currently exists, thereby reducing employment.

Secondly, the improvement in foreign exchange reserves is minimal, if at all, precisely because the export-oriented industrialisation is focused in enclaves. Payments by foreign companies for wages, for public rental and utility charges (e.g. to FTZ authorities) and for taxes much, again by definition, be minimal if multinational capital is to be attracted to invest in export production. And payments for raw materials and components invariably do not go to local Asian suppliers precisely because these inputs are supplied from other segments of the multinationals' regional production processes elsewhere in the Pacific or Asia. Transfer pricing means, in fact, that payments for inputs may actually cause a net outflow of foreign exchange, because of the practice of multinationals of contriving to understate their profits, or even run at a loss, in their subsidiary operations, to minimise tax obligations.

Thirdly, the type of transfer of technology, because it is overwhelmingly in terms dictated by the technique bias of the corporations; global operations, militates against both appropriate types of employment and linkage effects to local industries.

Finally, export-oriented industrialisation intensifies the dependent status of Asian nations, by locking them into the multinational matrix. More and more, the key decisions affecting their people are made in corporate board-rooms in Tokyo and New York.

In these ways at least, they share a position in common with the Australian working class, whose response to these developments we now examine.

Towards a Strategy for the Australian Labour Movement

Australia's working class is not an inconsiderable force. In certain respects, its combativity and organised strength are among the most developed in the capitalist world. A higher percentage (about 53% of factory and white-collar employees)[33] are union members than in many other developed countries, including Italy and the United States. Their readiness to take industrial action is comparatively high. The question, however, is whether this militancy and strength will be mobilised in a manner adequate to the unprecedented changes affecting the country's industrial scene.

Thus far, Australia's trade unions have reacted to them defensively. Some more militant unionists have resisted sackings and moves offshore through such tactics as selective work bans or even work-ins. But most unions have simply bargained for severance pay and redundancy agreements. Either way, the response is to a fait accompli; hardly ever has it prevented the intended retrenchments or rationalisations.

These "reactive" approaches to the industrial restructuring, despite its critical problems, stem from two factors. One is the ideology and habits of Australian workers, which union leaderships reflect in perhaps a magnified fashion.

Despite its militancy and traditional solidarity, the Australian working class is overwhelmingly "economist", negatively reformist and corporative in outlook. Its combativity is confined solely to a narrow range of concerns which the structure of industrial relations, and a powerful mass media, have defined as legitimate.

Foremost among these is the wage rate, whose central role has been underscored by the long boom. A gap in wage relativities, for instance, can cause an industrial dispute in a factory where poor working conditions would otherwise constitute the obvious grievance. Besides wages, the recognised subjects for trade union concern extend not much further than hours and working conditions, to the extent that they impinge directly on workers.

The line is drawn at the point where demands and actions begin to encroach on the prerogatives of management, that is, on managerial decision-making about investment, products, production processes, organisation and social policy. Hardly ever have unions put forward positive demands on any of these matters. Their concern is not with the recipe for baking the cake, as it were, but with how big their share of the cake is once it is baked, and with ensuring that the process of baking does not cause undue hardship for their members. How the company is operated is, quite literally for most unionists, the boss's business. Paradoxically, the militancy of Australian workers over pay and conditions hardens their self-image as members of a ruled class. It is the militancy of the "natural" underdog, over the terms on which it exists as the underdog, against the natural ruler, whose position as such is never in doubt.

Corporativism is a corollary of this "reactive" economism. As members of mainly craft-based unions, as specifically blue-collar or white-collar workers, and as employees of particular enterprises, some sections of Australian unionists tend to be unconcerned with the interests of other unionists or social groups beyond their own partial sphere. There is a widespread commitment, it is true, to the basic right to organise and operate unions, a commitment translated into equally widespread action whenever employers attack the individual rights of specific groups of unionists. But the substantive claims of unionists, as opposed to the right to unionise, take account of little beyond a limited horizon, in many cases.

There are examples of unions employing industrial power for social or political goals, such as the Australian Council of Trade Unions ban on wheat sales to Chile or the Builders' Labourers Federation's "green bans" imposed during 1973-4 on destruction of historic buildings in Sydney. Even there, the sanctions employed were essentially reactive or obstructive. Otherwise, trade unions put forward political demands through established bourgeois political processes, primarily as affiliates to the Australian Labor Party. In other words, their political claims are pressed only as some among so many other groups in the polity, not as the only organisations with the material power to exact their fulfilment.

The second factor imparting a "reactive" character to the labour movement response is a legacy of the long boom: a belief that the problems are simply cyclical and therefore only temporary. For many unionists, the current stagnation is only a more severe version of the minor recessions in 1961 and 1969. They soon went away, when the business cycle turned up or when the government undertook some economic "pump-priming". That the problem is also a profound structural one, and that Keynesian fiscal policies are completely inadequate to deal with it, is a

fact unapparent to a complacency bred through 25 years of apparently natural prosperity.

This belief in the "natural" viability of Australian industry, together with the economist and corporative aspects of working class ideology, dictates the unions' ingrained protectionism. It is not uncommon for unions to back companies' claims for temporary or medium-term high protection, often in direct co-operation with the companies, which tend to be domestic ones in labour-intensive industries. They advocate very high temporary tariff barriers to save jobs, regardless of the soaring factor costs or managerial inefficiency this promotes, in the belief that the economy will pick up in the near future.

Fortunately, some sections of the labour movement are beginning to recognise the prolonged structural dimensions of the crisis, and to evolve a positive strategy to meet it. Politically, they identify with the left of the Labor Party and with the Communist Party of Australia, which is small but quite influential in the trade unions. Most advanced in this strategic reorientation is the largest trade union in the country, the militant Amalgamated Metal Workers and Shipwrights Union (AMWSU), which began an education and publicity campaign last year about the structural changes in Australian industry, and in some metal enterprises to promote research and policy alternatives by shop stewards.[34] Other unions in which the structural changes have begun to prompt new postures are in the public telecommunications enterprise (Telecom), the shipbuilding and maritime industries, the public railways, aerospace, banking and insurance, and coal mining.

With the exception of the Telecom employees, who recently waged a long, sophisticated and largely successful struggle to exert influence over the terms on which new technology is introduced, these new strategic orientations are as yet rudimentary in scope and depth. Whether they will be widely adopted is not simply a matter of unions being impelled by the restructuring into hitherto unknown situations, for which traditional methods do not work.

It will also depend on whether the left in Australia can come to terms with the realities of the country's intermediate location in the global capitalist framework, with the fact that it is both developed and dependent. These two attributes together condition its strategy. The developed aspect dictates a hegemony-building process similar to that pursued by the workers' movements in the advanced capitalist countries of Western Europe - that is, forms of struggle which confront the ideological and structural processes of capitalist rule.

This is the logical emphasis in the Australian context, where the combativity and organised strength of the labour movement is not in question, but rather its scope and goals. The task, therefore, is to overcome the specific form of trade union consciousness and engender an active movement to impose comprehensive solutions based on popular needs, through leverage over the direction of industry. It will depend, in other words, upon a broadening of the range of unionists' concerns beyond economist and corporative interests, and a broadening of their forms of struggle beyond defensive ones. The current crisis provides the springboard itself for such a broadening, in that it creates conditions under which it becomes both necessary and more possible.

Building the hegemony of the Australian working class embraces both quite modest daily-life circumstances and wide systematic factors. On the one hand,

workers experience the crisis in everyday dimensions - dismissal notice, a line speed-up, more monotonous work, a more arrogant supervisor. Yet on the other hand, the forces underlying them are vast, systemic and seemingly beyond the control or even access of workers. Broadening union concerns and forms of struggle necessitates bridging the chasm between these two levels.

The dominant, primarily multinational corporations propelling the industrial crisis delineate the stepping-stones across the chasm. They are the agents of the restructuring. Their individual reorganisations, their individual plans are the myriad elements whose sum constitutes the crisis. A labour movement strategy, therefore, necessarily starts with a recognition of how these corporations operate, thereby removing the problem from the realm of the remote and systemic and bringing it down to the concrete terms in which workers experience it.[35]

The fact is that the restructuring does not just happen of itself, divorced from anything else. It is intimately bound up with changes in how corporate power is organised and how corporations work - in short, with changes against which strategic responses make sense. The main change is the growth of firms which are single decision-making units but which are multi-plant, multi-product or multinational. As unions all over the world are recognising, this alters the terms of industrial struggle, giving more cohesion and strategic leverage to corporate management in the absence of a response from workers' organisations.

These firms' industrial mobility is a powerful weapon. They can transfer technology, production, financial resources and profits across national borders but within their global corporate organisations, manipulating prices in the process. Governments or unions are unable to regulate such transfers using normal industrial methods. Indeed, companies with multi-plants across several countries can divide unionists while remaining unified themselves.

Another key change in company behaviour is the full evolution of corporate planning. Because they need some sort of certainty about returns on huge capital investments, corporations have to plan their operations several years ahead. Their top management lays down and periodically revises investment programs, target profits, general policies and guidelines.

These plans are more or less integrated, and laid well in advance of their execution. An average member of Australia's top 200 manufacturing corporations, which account for half of national turnover, would have a clear estimate for the next several years of its investment levels, installed capacity, product mix, plant locations, skill requirements, types of machinery, and contingency plans. If the management is astute, the plans will include strategies to minimise the likely response by unionists.

Clearly, the content of these plans is a matter of deep concern to workers. Yet unionists in no way match corporations in either coherence or foresight about such plans. Often they don't get a chance to respond to a decision until well after it is taken. For instance, a series of retrenchments arising from the introduction of new machinery, or from a move offshore, may be imposed with only a statutory week's notice. Yet the decision leading to them may have been taken months or years before. In such circumstances, unionists are virtually taken by surprise.

Both these changes in corporate behaviour - multi-plant mobility/cohesion, and corporate planning - are the focus of the strategic reorientation now beginning

in some unions. They render the economist and corporative union consciousness inadequate on its own terms, and add a telling logic to the broadening of union concerns and forms of struggle. The logic is increasingly clear to union leaders bewildered and frustrated by escalating retrenchements: more and more, the only successful way to defend jobs and working conditions (i.e. "economist" concerns) is to intervene in the structure of power and control. This necessarily means the broadening of union goals and types of struggle.

Specifically, it means that unions have to match the way corporations operate. They have to match them in organisation, by themselves developing organisation right across the range of units and subsidiaries which the top management directs, including those beyond national borders. Shop stewards and delegates organisation, arising from the elementary processes of rank-and-file activity, are the most basic forms.

Unions also have to match the corporations in purpose, by themselves developing an idea of what should happen. In other words, they have to tackle the key instrument of managerial prerogatives - the corporate plans. Aside from gaining as much information about corporate plans as possible (and in more developed form acquiring a comprehensive awareness of the shape and inner workings of their respective branches of industry) this demands of unionists that they formulate comprehensive alternative plans. Such alternatives bring together in a consistent, integrated fashion the unionists' proposals for running their companies in ways that meet their ("economist") need for employment or decent working conditions. They constitute a coherent basis for struggle, a basis that does not exist with "reactive" approaches.

Their coherence consists in the fact that they challenge not simply the fact, or effects, of retrenchements or reduced working conditions, but their sources, namely, investment and operational decisions by management. They challenge them in the form of unionists' alternatives about types of products and machinery, layout and location of factories, organisation, training, production processes, and direction of new investment.

As such alternatives become the subject-matter for struggle in particular companies, they make necessary and possible even broader alternatives, for whole industries and sectors. The inefficient, over-capitalised structure of the Australian car industry, for example, is the focus of discussions, education and program-formulation by shop stewards across the industry brought together by the AMWSU and the draughtsmen's union. Ultimately they seek to draw up proposals about the future shape and functioning of the industry, addressed not only to the economic and technical realities in which it operates, but also to the needs of its employees and of society at large, rationally considered. Developing such programs is not an easy affair. It is a <u>process</u> through which workers enlarge their knowledge about their industry and their capacity to have a say about its workings, each making the other possible.

At the level of the workplace, the process does not discard but rather incorporates "economist" concerns, and wields them as bargaining-points for "structural" gains. In other words, industrial struggle can be wages for packages of demands which include not only traditional ones concerning pay and conditions, but also broader ones concerning the direction of the company, with negotiating and industrial sanctions as before. It is the integration of economist and broader concerns in these circumstances which most realistically fosters the overcoming of the narrowness of trade union consciousness in this country.

Multiplied industry by industry throughout the union movement, the process has its logical outcome in an active movement for socialist alternatives. For what else is the labour movement's intervention in the prerogatives of the leading capitalist decision-makers, and the imposition of alternatives, but the assertion of working class hegemony? In concert with parallel and organically linked developments in the realm of political parties, electoral politics and class alignments, it would constitute a major positional gain for the labour movement.

This, then, is what is profound about Australia's industrial crisis. It crystallises social conditions from within which could evolve a working class movement to impose comprehensive solutions with long-term implications for social change.

These are possibilities inherent in the developed aspect of Australia's intermediate location in the global capitalist system. But the dependent aspect both constrains and tempers it. Firstly, the structural weakness of Australian manufacturing in comparative international terms puts external limits on just how broad the labour movement's comprehensive solutions can be. Second, the rearrangement of the regional imperialist framework is already linking what happens in Australia with what happens in Asia, and hence the interests of Australian workers with those of Asian workers and peasants.

The resolution of the first problem - the limits imposed by the structural weakness - may consist in the labour movement exerting leverage over the second - the imperialist rearrangement - in a way that connects the interests of Australian workers and Asian peoples. In short, in order to tackle Australia's industrial crisis, it may also be necessary to, among other things, take account of the needs of Asia.

It this respect, one thing is clear. The type of development which multinational capital is imposing on Asian countries is against the interests of both their people and of Australian workers. Both forces, therefore, share an objective interest at the broadest level in seeking to prise away the grip of multinational capital on the region and to promote alternative forms of economic development serving human needs. So, too, do the working class movements of Japan and the United States.

The task for each of these movements is to explore the ways in which this interest at the broadest level becomes an interest at the specific level, in concrete terms accessible to their analysis and action. Their chances of doing so are enhanced by greater contact and co-operation between them.

FOOTNOTES

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35 The subsequent argument is a summary of J.L. Alford, "Developing a Counter-Strategy to the Multinationals", paper to National School of the MAWSU, Wodonga, August 1978.