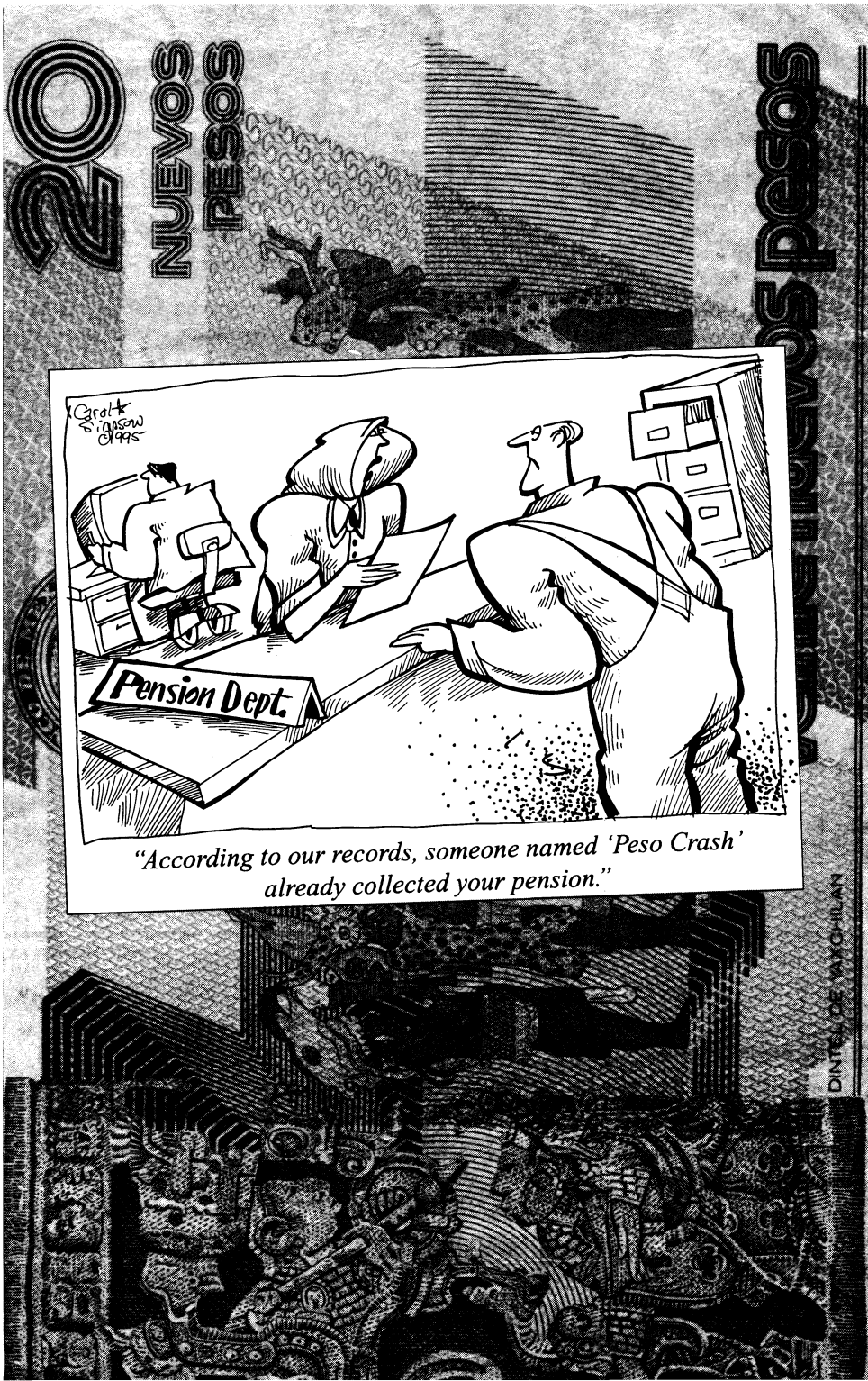
NUEVOS PESOS
Carol K Simpson ©1995
Pension Dept.
"According to our records, someone named 'Peso Crash' already collected your pension."
DINTEL DE XAXCHILAN

Buying Time or Building a Future

Labor Strategies for a Global Economy

■ *Pharis Harvey*

A not-so-funny thing happened on the way to the global economy. Mexico, the bright, new star in the investors' heaven, crashed as spectacularly as a meteor in December last year. By June, two million jobs had been lost, wages had declined by 50-60 percent in dollar value, and 83 banks and some 80 percent of small businesses were headed for bankruptcy.

The reverberations from Mexico's crash were felt around the world – at the ***World Bank***, at national banks, on the stock market, and at corporations. Of course, it was not only corporations and monetary institutions that were affected by the crisis in Mexico. Because we are all part of one economy, troubles in Mexico quickly spread to increase the vulnerability of workers and communities elsewhere.

In the U.S., investors felt the impact first and rushed to get governmental relief, which was soon forthcoming in the form of a $20 billion bailout to Mexico. However, workers in the U.S. affected by the Mexican crisis are getting no relief at all. In fact, quite the opposite is happening. The Mexican crisis has heightened pressure on labor negotiators and organizers, who were already feeling the weight of NAFTA-related job losses and bargaining constraints. The cause is twofold. Mexico, already a cheap wage haven for U.S. investors, suddenly has become twice

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as cheap. But equally devastating, Mexico's small middle-class, the "emerging market" of the pro-NAFTA forces' dreams, has suddenly evaporated as a potential target for U.S. exports.

The crash serves as a case study in the workings – and failings – of the world economic system. It also needs to serve as a wake-up call to labor. Armed with an understanding of the world economic scene, labor needs to develop adequate responses to capital's efforts to maximize profits by moving investment capital from one country to another in the blink of an eye – or more accurately, at the touch of a finger on a keyboard.

MEXICO'S CRASH – A CASE STUDY

What happened in Mexico City on December 20, 1994 had in fact been coming since 1982 and reflected the "***structural adjustment policies***" that the ***IMF*** had been forcing on Third World countries everywhere. In 1982, Mexico nearly defaulted on its foreign debt and was forced to undergo structural adjustment – privatization, devaluation, deregulation of labor and investment markets, and protection of ***intellectual property rights***. It was a recipe specifically designed to maximize the advantage to foreign investors of a country's vulnerability during a foreign credit crisis.

In Mexico, the IMF found a ready ally in Carlos Salinas de Gortari, a Harvard-trained finance minister ('82-'88) who became Mexico's president in 1988. His mandate from the international financiers included the following measures:

- a program of wage restraint which lowered the average wage value by 50 percent in the first three years.
- systematic weakening of the political and economic clout of the corporatist "official" labor unions and peasant organizations which had been the primary source of the Mexican government's power over development
- revoking of the constitutionally mandated ejido land system that had barred outright sale of land and kept it available for village-level distribution
- a massive sell-off of state enterprises (mostly to Salinas' cronies, who are now Mexico's 24 newly-minted billionaires)
- the lifting of many restrictions on foreign direct investment and repatriation of portfolio investment capital (On January 1, 1994, the North American Free Trade Agreement – NAFTA – codified the relaxation of these restrictions.)

These changes made it easier and more attractive for U.S. investors to move their money into and out of Mexico without concern for national borders. Much of this investment activity happened through the stock market, where traders "played the market" by buying and selling stocks of Mexican companies. Billions of dollars of portfolio investment flowed into Mexico, turning the country into a giant casino for foreign players (and their newly-rich domestic partners). The rapid influx of dollars into Mexico sustained an artificially high value of the peso. Investors were "betting" on the future of post-NAFTA Mexico, temporarily ignoring the reality of the Mexican economy.

Unfortunately, the reality of the Mexican economy in 1994 was not as rosy as the imagined picture of its future. Sixty-six percent of Mexicans lived below the poverty line (up from 48.5 percent in 1982). And while one million workers entered the job market each year (and continue to do so), employment generation was also stalling. In the decade from 1982-1992, only 1.7 million jobs were created (down from 8.7 million jobs created between 1972-1982). Why did these social problems continue to grow while foreign money was flowing into the country? Because most of the money that flowed into Mexico was not invested in the productive sector. The money was used by the upper and middle classes to purchase imports from the U.S. and other countries.

The flow of easy money, however, lulled the government into the belief that its development strategy was successful. To keep the dollars flowing – and to aid the government's re-election in 1994 – the foreign exchange rate was kept high. Rather than risk inflation and the loss of foreign dollars by gradually devaluing the peso in 1994, Salinas insisted on locking the exchange rate to an unrealistic level.

The inflated peso appeased the middle class with artificial and temporary prosperity that enabled them to buy imported luxury goods. Salinas hoped that the prosperity of the middle class would also encourage the poor to identify upward – imagining they too might reap the benefits of Mexico's new-found prosperity. It might have been a good re-election strategy for the PRI, Salinas' party; however, for the country it made for disastrous economic consequences.

To the millions disinherited by these policies the government fed continued promises of future prosperity, but it was thin gruel indeed. By December last year, as the new Zedillo administration came into power, the fiction was no longer sustainable. Suddenly, it all fell apart. The peso lost half its value in a matter of a few weeks; investment dollars fled the country by the billions; inflation soared; credit became impossibly expensive for all but the most powerfully connected; and the middle class began to melt away.

Opponents of NAFTA in the U.S. and Mexico felt vindicated that their unheeded warnings about Mexico's unstable economic and political system had in fact proven accurate. But there was little comfort in being right.

The same American workers whose jobs were endangered by NAFTA's pressure to shift production southward are the taxpayers who now have to pay to bail out those wayward investors. And on the other side of the equation, American workers are also directly hurt by the loss of Mexico as a market. The collapse of Mexico's economy immediately hurt prospects for U.S.-made goods and services and caused a sudden increase in the trade deficit.

Only 535 NAFTA related jobs were created whereas 40,000 workers have filed for NAFTA Transitional Adjustment Assistance due to job loss.

So from every side, the Mexican disaster was a disaster for American workers. Auto sales to Mexico virtually stopped. Wal-Mart and other merchandisers canceled expansion plans. Productive investment capital flows, including sales of machinery and parts, ground to a halt. The trade deficit with Mexico soared to $1.5 billion by March, and the damage was not limited to U.S.-Mexican relations. Investment in "emerging markets" funds plummeted. Investor confidence in the Argentine economy stumbled, and several dozen other countries felt the aftershock.

LABOR'S RESPONSE TO GLOBALIZATION

The turbulence between the U.S. and Mexican economies is a profound reminder that troubles in one country quickly spread to increase the vulnerability of workers and communities elsewhere. We are all part of one economy and there is no longer a meaningful distinction to be made between international and local issues for labor.

What is happening in Mexico has revealed the power – and the fallibility – of global capital mobility. This mobility has been building for at least two decades, but the last decade has seen a sudden acceleration, as the communications revolution has made possible electronic trading on stock markets around the world. Also possible are the instantaneous electronic flows of technology, designs, and market strategies throughout the world, without the slightest pause at national boundaries.

The technological advances would have meant little without the international political change that accompanied them. In the past,

LRR FOCUS: NAFTA Monitoring

Courtesy of AFL-CIO

A Sony worker sustained head injuries and was carried away by co-workers. Two days after Sony workers walked off the job, city police arrived in riot gear and began beating the workers. This incident and others are being investigated under NAFTA.

A year and a half after the North American Free Trade Agreement (NAFTA) took effect, the rosy picture painted by NAFTA supporters has turned grey. A growing number of labor activists, researchers, and academics are developing a more accurate picture of how NAFTA is affecting our lives.

DISPUTING OFFICIAL JOB CREATION CLAIMS

Prior to NAFTA's passage, the administration projected that the U.S. trade balance with Mexico would improve, resulting in a net increase of 100,000 U.S. jobs during the first year. In fact, official statistics show only 535 NAFTA-related jobs were created. When Mexico's exports to the United States grew faster than U.S. exports to Mexico, officials stuck to their claim that NAFTA was creating U.S. jobs.

Groups such as the AFL-CIO, the Institute for Policy Studies, and the Economic Policy Institute have persistently challenged the administration's claims regarding jobs created by NAFTA. David Ranney, of the University of Illinois, Chicago, has also challenged the NAFTA job claims, disputing the administration's argument that increased exports automatically translate into increased jobs. Through case studies of several top exporters, Ranney shows that in today's hi-tech factories, companies can increase exports without hiring new employees.

TRACKING NAFTA-RELATED LAYOFFS

Labor unions and other researchers have also kept a close eye on the ***NAFTA Transitional Adjustment Assistance (NAFTA-TAA)*** program, which provides retraining and other benefits to U.S. workers who lose their jobs as a result of NAFTA. As of April, more than 40,000 workers had filed petitions for this assistance, and more than 20,000 had been certified. And NAFTA-TAA recipients represent only a fraction of the workers who have lost their jobs as a result of the agreement. Nonetheless, data from this program has been crucial to the monitoring work. The Department of Labor has made available the names, telephone numbers, and addresses of NAFTA-TAA recipients and their union representatives to researchers who have used this information to gather and publicize the stories of workers and communities suffering the dislocating effects of free trade.

EVALUATING NAFTA'S LABOR SIDE AGREEMENT

NAFTA's labor side agreement was designed to help strengthen worker rights enforcement in the three NAFTA countries. In September 1994, the U.S. agency responsible for handling NAFTA-related labor disputes held its first two hearings, which involved complaints filed by the Teamsters against Honeywell and by the United Electrical Workers against General Electric. Both cases concerned the firing of Mexican workers for attempting to organize unions at their plants. A month after the hearings, the cases were dismissed.

The International Labor Rights Education and Research Fund (ILRERF) and the involved labor unions were highly critical of how the hearings were handled. Their harsh assessment of the labor side agreement process was at least partially responsible for improvements in the handling of a third hearing, concerning the Sony Corporation's interference with union reform efforts at a plant in Nuevo Laredo. The government investigators agreed to the complainants' demands to allow more time for testimony, to hold the hearing closer to the workers' homes, and to permit electronic media coverage. The outcome of these hearings was a report from the U.S. ***National Administrative Office*** in mid-April calling for U.S.-Mexico ministerial consultations and other measures. Ministerial consultations in May and June led to some promises of investigation and action by the Zedillo government. (See "More NAFTA Complaints, More Labor Leverage," page 16.)

MONITORING WORKER ABUSES IN MEXICO

The Coalition for Justice in the Maquiladoras (CJM), the Southwest Network for Environmental and Economic Justice (SNEEJ), the AFL-CIO, and other groups have continued to monitor violations of worker rights and health and safety reg-

ulations in plants along the U.S.-Mexico border. Although the Clinton administration claimed that NAFTA would help reduce these problems, there is no evidence of improvement. For example, CJM found that W.R. Grace Corporation's Erika plant in Reynosa, Mexico does not provide masks or ventilation to protect against fumes from chemicals that cause headaches, nausea, nervous disorders, and even death. Jose Bravo, of SNEEJ, reports that violations may have even escalated since NAFTA's passage. "During the years leading up to NAFTA, companies were trying to clean up their act to avoid bad publicity that might have jeopardized the passage of NAFTA. Now that they got the agreement, they feel they can do whatever they want," Bravo said.

TRACKING WHIPSAW BARGAINING

While NAFTA opponents were concerned about job loss, they were even more concerned about the threat of corporations bargaining down wages and working conditions. In polls taken before the NAFTA vote, a number of corporate executives indicated that they planned to use the increased mobility that NAFTA offered as leverage in bargaining sessions with their workers. Unfortunately, NAFTA-related "whipsaw bargaining" has proven to be extremely difficult to track. The AFL-CIO Task Force on Trade has requested that affiliates report such incidents, but has received limited response. The help of labor union activists is clearly needed to build our knowledge of NAFTA's impact on wages and working conditions.

THE NEED FOR ACTION

The NAFTA monitoring efforts have done much to dispel myths about the benefits of free trade and to raise awareness of the adverse effects of NAFTA on workers and their communities. The work is particularly important at this political moment. The Mexican crisis has opened up new opportunities for challenging the NAFTA model and building support for an alternative approach to economic integration that would place the interests of workers and communities on an even par with those of corporations. However, despite the Mexican chaos, the Clinton administration continues to pursue its plan to use NAFTA as the model for the Western Hemisphere. Negotiations are already underway to expand the pact to include Chile. We need to act now to counter free trade disinformation and press for change. ■

– Sarah Anderson

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nations nurtured local industries by limiting imports through tariffs, and states owned industries considered key to a country's economic development. National sovereignty severely limited capital's mobility. Today, global financial deregulation instituted through international trade agreements has changed the landscape for capital. Capitalists have spent the past thirty years perfecting their ability to maximize profit and minimize risk at everyone else's expense.

Labor, however, has been slow to develop adequate responses, since by definition it is less mobile than capital or technology. While labor concentrated on protecting its position in national economies, those economies were dissolving into one giant global industrial structure linked by fiber-optic communication lines.

Not long ago, most trade unionists could leave international affairs to an obscure bureau at the AFL-CIO and a handful of union officers. While everyone pledged allegiance to "international solidarity," in fact, international labor activity was considered peripheral to the central task of surviving the "Reagan Revolution" at home. Union budgets as well as strategies reflected their lack of commitment to international solidarity and still do.

Labor activists did not immediately connect the "Reagan Revolution" to a global shift. The Reagan agenda reached far beyond U.S. bor-

"It's not my fault! He bumped my arm and then poof...20 billion Deutsche marks disappeared into Antarctica!"

ders. It was an international agenda instituted through free trade agreements and the structural adjustment programs of the World Bank and the IMF. The international "Reagan Revolution" took power out of the hands of publicly accountable governments and put that power into highly centralized but unaccountable private economic forces.

In keeping with its national perspective, the labor movement initially responded to job loss and foreign competition with a "Buy American" campaign. Very poignant TV ads still use the slogan to try to stem the tide of imported textile goods. While these ads are somewhat effective, all this strategy buys is a little time, at best. It does nothing to prepare American labor for the world that is emerging, nor to cope with the forces that pit U.S. workers against Mexican, Chilean, Indonesian, or Chinese workers to the detriment of all. However appealing, this strategy is in the end a loser, for it loses valuable time to organize for a changing world.

For better or worse we are part of a global economy and our strategies for the future must take that into account. Whether we are in the private sector or public, in agriculture, manufacturing or services, what happens to workers in other countries has an immediate impact on our

Global integration of the 1990s requires that labor strategies change, and quickly.

own job security, and our ability to organize or negotiate meaningful contracts. That impact can come from corporate investment decisions, terms of a trade agreement, sudden shifts in commodity prices, or the conditions of an international development bank loan. But whatever the source of that impact, it is quickly felt in the U.S. by a wide range of workers and communities.

The global integration of the 1990s requires that labor strategies change, and quickly. For each hesitation leaves labor weaker against its primary antagonist, the multinational companies who scour the world for maximum leverage against workers and governments. Labor's response must include: international as well as domestic labor rights advocacy; ratification of *ILO* conventions as well as domestic labor law reform; information sharing among unions in the same company in several countries; solidarity with threatened labor activists overseas or near at hand; and challenges to transnational companies through communities, states, stockholders, and consumers.

Labor needs to join hands with communities that are buffeted by extortionary corporate threats. Labor and environmental groups need

to recognize their common interest in broadening international environmental and health and safety standards so that evasion of regulation is less of an enticement to corporate flight. Most important, however, labor needs to work toward the twin goals of universal labor standards that protect the rights of independent unions within the global trading system, and international collective bargaining.

INDEPENDENT UNIONS AND UNIVERSAL LABOR STANDARDS

First, let's consider the question of independent unions. Why target this first? Without independent partner unions in the countries where multinationals move, we cannot develop an international labor strategy. We discovered this stumbling block during the fight on NAFTA. Mexico's largest union federation, the Confederacion del Trabajadores Mexicano (CTM) was not sufficiently independent of the government to speak with its own voice during the NAFTA debate. Having survived and flourished as a part of Mexico's ruling structure, it had become dependent on that apparatus and could only echo the Salinas-government position. Whatever internal fights the CTM leadership may have had within the ruling party, it could not risk its relationship with the government by joining forces with the AFL-CIO or the Canadian Labor Congress.

Some in Mexico thought this lack of international solidarity was due to irreconcilable differences between U.S. and Mexican labor's needs. They argued that Mexican workers had to preserve their cheap wage "comparative advantage" in order to benefit from the trade agreement. However, the small independent unions allied with the non-government-related Frente Autentico del Trabajo (FAT) took a different stance. FAT rejected the notion that Mexico's comparative advantage of low labor costs should be preserved by nonenforcement of labor law. The independent Mexican unions worked with labor and other civic organizations in the U.S. and Canada. By doing so, they helped the U.S. labor movement take an approach to trade that was international in perspective, rather than one focused solely on questions of national interest. We were all stronger for it.

Preserving and strengthening independent trade unions must be our top international priority. Setting international labor standards that protect independent union autonomy and free associational rights is an important part of an international labor agenda. (See the article, "...And the Twain Shall Meet?," p. 51, for an in-depth discussion of international labor standards.)

In addition to pressing for the inclusion of labor standards in inter-

national trade agreements, the labor movement should support other policy proposals currently before Congress. For example, there is a bill now pending before Congress that would enforce a corporate code for the overseas operations and contracts of companies that receive government contracts or export services. Bills barring the import of goods made by exploited child labor have been introduced in both the House and Senate annually for the past five years, without action by the powerful Trade Subcommittees, and without commitment to their passage by either the Bush or Clinton administrations.

Development Banks

The Mexican disaster, long in coming, was essentially the product of policies forced on that country by the IMF and the World Bank since 1982. Mexico is not alone in feeling these pressures, the impact of which has been devastating for the labor movement in many countries. In much of Africa and Latin America, the trade union movement was strongest in precisely those areas of the public sector targeted for privatization. In most instances, privatization has meant the dismantling of trade unions, the loss of collective agreements, and the "flexibilization" of the workforce. (See the article, "Privatization Bites," p. 77.)

The IMF and World Bank continue to push governments to gut their labor laws and privatize their state sector companies. Last summer, however, the U.S. Congress passed a law which requires the U.S. representative at these institutions to use voice and vote to advocate for a reversal of these policies, and to screen all projects to make certain they were not undermining the basic rights of workers. For this law to be effective, the trade union movement needs to actively provide information and analysis to the U.S. executive directors of the banks about the impact of structural adjustment loans on various countries' work forces. Then, it needs to monitor the government's use of this information and hold it to faithful enforcement of the law. Such a process is not easy, but in terms of affecting the labor rights of workers around the world, it may be one of the most important ways to work.

Labor Solidarity

Policy work – getting and enforcing laws that link international economic activity to protection of international labor rights – is a necessary start. However, without strong actions of labor solidarity among free unions, it won't result in many gains for workers, either at home or overseas.

One important solidarity action is cross-border organizing. Other articles in this issue detail efforts at cross-border organizing, whether

by Mexican unions providing assistance to workers in Wisconsin or U.S. unions helping Colombian mine workers. These efforts are relatively new for U.S. unions (although Samuel Gompers was said to have learned much from his counterparts who were active in the Mexican revolution).

Other cross-border efforts are underway in other parts of the world. The AFL-CIO's Asian American Free Labor Institute has given crucial assistance to women garment workers in Bangladesh. Last December these workers formally inaugurated the first independent, women-led autonomous labor union in that country's history. Dutch unions are also providing help for a very beleaguered attempt to organize a non-government-run union in Indonesia. Canadian unions have a long history of solidarity and assistance to unions in Latin America – often to unions in countries where U.S. trade union presence was caught up in Cold War politics, such as Nicaragua, Chile, Cuba, and El Salvador.

Global companies are vulnerable to labor pressure on a scale never seen before – but the global labor movement must get itself coordinated to exert that pressure.

Individual plant-level solidarity actions have also been important. Earlier this spring the Kirkwood Company in Mexico City, an auto parts firm that moved much of its operation to Mexico, attempted to force its workers to accept a pro-company union rather than choose representation by a FAT-related union. When workers resisted they were fired. Workers from Kirkwood's Cleveland plant went to Mexico City to strategize with the embattled union leaders about the company, using their experience to help their brothers and sisters cope.

Similarly, for several years the U.S./Guatemala Labor Education Project has worked in Guatemala with garment and coffee plantation workers to strengthen their communication and contacts outside the country, as well as to collaborate with them in the filing of petitions in the ***Generalized System of Preferences (GSP)*** program and to bring labor delegations from the same companies in the states to meet with them. These cross-border contacts have strengthened labor solidarity on both sides.

Efforts are underway, however, to limit labor's international solidarity actions as evidenced by the last decision rendered by the Bush administration's National Labor Relations Board against the International Longshoreman's Association (ILA). At the request of the ILA, the Japanese longshoreman's union announced its intention to refuse to off load cargo from a port under dispute in an organizing battle. But, the National

Labor Relations Board found that the ILA violated secondary boycott restrictions by pursuing this campaign and slapped the union with millions of dollars in damages. This decision is an outrageous attempt to apply U.S. law to activities which are legal in Japan and undertaken by an independent Japanese entity. The ruling has just been overturned by the U.S. Appeals Court in Washington, D.C. and sent back to the NLRB for reconsideration. The case, however it is decided, demonstrates the extent of corporate America's fear of international labor solidarity.

Joint Collective Bargaining

Moving from solidarity and support to joint action has proved more difficult. Negotiations in different countries take place with different rhythms, in conjunction with different political or corporate timetables. Some initial steps are underway, as various ***international trade union secretariats (ITSs)*** sponsor global consultations of workers belonging to the same multinational, such as Nestle or Unilever. Fact-sharing, comparing of collective agreements and negotiating strategies, and sharing company data across national lines are useful first steps. But before long we anticipate that unions will discover internationally what U.S. unions are finding domestically: negotiating with plants that are making key components for assembly in other countries can be much more effective than targeting assembly plants or autonomous operations.

Forty percent of all international trade consists of intra-company transfers from one unit of a company to another in a different country. This form of global integration means that a few corporations are powerful on a scale never seen before. It also means that global companies are vulnerable to labor pressures on a larger scale than ever before – but the global labor movement must get itself coordinated to exert that pressure.

The struggle for justice for working people is global. Labor strategies which ignore that reality will not succeed in doing more than buying small amounts of time. If labor wants to construct the future, rather than simply react to it, it will have to move aggressively on a global scale. Time is not on its side. Achievement of international labor standards that are a part of the rules of trade and finance is a critical start. Coordinating the use of these standards with international negotiating strategies will turn around the race to the bottom we are currently experiencing. We can infuse the brave new world of high-tech global economic integration with justice and equity. ■