

ICEM SECOND WORLD CONGRESS
Durban, South Africa,
3 - 5 November 1999

UNITE & ORGANISE



**FACING GLOBAL POWER:
STRATEGIES FOR GLOBAL UNIONISM**



TABLE OF CONTENTS

PART 1: CORPORATE POWER AND THE WORLD SOCIAL ECONOMY

Section 1: ICEM INDUSTRIES: AT THE BASIS OF GLOBAL CHANGE	5
Oil and Gas: Now There are Three	6
Mining: Mergers and Acquisitions at Record Levels	7
Electricity: From National Monopolies to Global Utilities	8
Rubber: The Global Three: Even Bigger?	10
Chemicals: Continuous Restructuring	11
Pharmaceuticals: A Prescription for Concentration	12
Paper: Dominant and Secondary Mergers	14
Environmental Services/Waste Management: Cleaning Up Globally	15
Cement: Strategic Participation	16
Glass & Ceramics: Cost-Cutting Drives Job Losses	17
Section 2: THE ARRIVAL OF THE MEGA CORPORATION	20
The “Normal” Trend to Mega-Corps	20
Executive Pay and Internal Profit Taking	21
From Productive Capitalism to Finance Capitalism	22
Section 3: IMPACT OF THE MEGA-CORP	24
From Profits to Surplus	24
<i>Cost-Cutting = Redundancies, Speed-ups, Health and Environmental Hazards</i>	<i>24</i>
From Competition to Contest	25
<i>Managed World Trade: From Exchange to Transfer</i>	<i>26</i>
<i>Managing National Governments?</i>	<i>27</i>
From Constructing to Merging	27
<i>Financial Crisis and the Money Tidal Wave</i>	<i>28</i>
From Democratic Dialogue to Market Force	29
Section 4: THE WORLD SOCIAL ECONOMY: INCREASING INEQUALITY	31
Wage and Income Inequality	31
Rich and Poor Countries: In the Same World Economy?	32
Environment: Emphasising The Need for Global Action	33

Section 5: GLOBAL GOVERNANCE: NO GLOBAL PUBLIC INTEREST	34
Globalisation as Solidarity versus Globalisation as Competition	34
Inter-State to Inter-Corporate	35
<i>World Trade Organisation: Dispute Settlement between Corporations</i>	<i>36</i>
Defeat of the Global Social Policy Organisations	36
Who Controls the Organisations of Global Governance?	37

PART 2: GLOBAL UNIONISM: ENGAGING NEW SOLIDARITIES

Section 1: ICEM RESPONSE: A GLOBAL UNION	40
Introduction: The Direct Impact on Unions	40
New Strategies: Building Global Industrial Relations	41
<i>a) Engagement Teams</i>	<i>41</i>
<i>b) Corridors of Contact</i>	<i>42</i>
<i>c) Global Agreements</i>	<i>42</i>
Section 2: NEW SOLIDARITIES AND COMMON OBJECTIVES	44
Campaigning in the Public Arena	44
The Reform of Global Governance	44
The Reform of Corporate Governance	45
Section 3: RESTRUCTURING FOR EFFECTIVENESS	47
Reinforcing International Labour Policy	47
Fit for the Struggle	48

PART 1: CORPORATE POWER AND THE WORLD SOCIAL ECONOMY

Section 1: ICEM INDUSTRIES: AT THE BASIS OF GLOBAL CHANGE

ICEM congresses, industry conferences and publications have consistently analysed and informed affiliates and the public of the growing influence of corporations, acting from the global level, over the social and economic life of every nation. This trend, which had been a steady incremental process, has accelerated to supersonic speed over the space of the last few years. The concentration of sales and control of industrial technology and production into the hands of a few mega-corporations represents perhaps the most fundamental change in the global industrial structure since the development of mass production during the first industrial revolution. This tendency has changed the whole orientation of the world's politics, the nature of its economies, and the future of the ways of life of its peoples.

Although this is a general trend, the ICEM industries have been particularly affected by the growth of mega-corporations. This has changed the impact of traditional trade union power relationships with industry and requires new union initiatives.

Traditionally, different industrial sectors have followed different patterns of development, have different structures and operate according to different labour practices. For trade unions these differences have often meant that the problems of dealing with employers were also different from one sector to another. Variations in productivity resulted from different ratios of workers to capital employed and impacted on our power to affect wage rates and working conditions.

Different structures of industrial organisations - the mix of large and small-scale enterprises - have also governed the labour relations "culture" and demanded different strategies to deal with employers in different industries.

This situation has been substantially rationalised by the pressure coming from global capital. Although some of the technological and production techniques that affect conditions of work remain different between the sectors, the industrial structures are becoming more and more similar. Almost every branch is now dominated by a very small group of large corporations which, through their collective market power, determine access to their own capital sources and to their own captive technologies. Their dominance also allows them to dictate directly or indirectly the market development, investment, innovation and employment conditions of the rest of the sector throughout the world.

This increasing uniformity of structure between sectors also means that the experience of workers across ICEM sectors is increasingly similar. Thus, for example, the policy of "cost-cutting" at the centre, which reduces the workforce in the corporation through redundancy and out-sourcing, is now standard policy to seek yet greater output from fewer workers.

"Everybody in chemicals is doing it. Pulp and paper is following suit. Oil is starting to move the same way. Steel is teetering on the brink. Cars are joining too..... there's no escape. No longer stars of their domestic economies they are undertaking cross-border rationalisation to survive."

P. Martin, Financial Times, Sept. 1998

In order to construct a more effective trade union response to these trends, to promote a more just global social policy and to find support to put it into operation, requires that some basic issues must be considered:

- to confirm the trend towards concentrated corporate power;
 - to investigate the fundamental reasons for this trend;
 - to look at the effects on the world social economy of employment, distribution, environment and equity;
 - to view the global picture as a whole regarding social justice and governance.
- Only after such stocktaking can we develop a more effective global unionism.

These issues are considered in turn in the following sections beginning with an integrated sketch of developments in ICEM industries.

Oil and Gas: Now There are Three

The headlines concerning the oil industry over the last year have centred on the massive mergers that have occurred between the top corporations and on the continuing low price of oil. The sub-plot for those working in the sector has been the continued decline in employment through shakeouts following take-overs and accelerated use of sub-contractors.

Global Top 10 Oil Corporations		
<i>Corporation</i>	<i>Revenues \$ billion 1997 (nearest)</i>	<i>Employment (estimates)</i>
Exxon/Mobil	182	122,700
Royal Dutch Shell	128	105,000
BP/Amoco	104	99,101
Texaco	45	83,700
Elf Aquitaine	43	80,811
Eni	37	39,362
Chevron	36	na
Petróleos de Venezuela	36	na
SK	34	na
Total	33	na

Source: Fortune 500 for sales FT 500 for employment

For decades seven big corporations, the so-called "Seven Sisters", dominated the oil industry. Now there are three. The three biggest corporations - Exxon/Mobil, Shell and BP/Amoco - have a combined sales figure greater than the combined sales of the next 16 corporations ranked in order of revenues. (When this paper was being written, further consolidation was planned between BP/Amoco and Arco to increase this distance still further). The combined sales figure of \$414 billion of these three corporations is greater than the total annual domestic production (GDP) of the 950 million people of India.

This is a two-part industry in which the basic resources - crude oil and gas - are still predominantly in the hands of state enterprises while technical support, exploration, production,

refining and distribution are in the hands of the world's major energy corporations.

In most other sectors vertical integration - in which corporations seek to control the suppliers of raw materials and the consumers of the finished product - has been achieved because the raw materials were easily available or have more recently been privatised. The ownership of the state over crude oil supplies has not been challenged in the same way. For the oil and gas majors there is no sense in tying up investments over the long term underground when they can be better used to control market access.

"The combined Exxon Mobil Corp is expected to have considerably more leverage in its dealings with members of the Organisation of Petroleum Countries than the companies had on their own, reversing OPEC's quarter-century of primacy in this relationship "

Herald Tribune, December 1998

In order to control the supplies of crude, the corporations understood from their experience in the early 1970's that they could not afford to be subjected to a divide and rule policy by national producer states. The goal since that time has become to create a market in which there are a very limited number of dominant buyers (called "monopsony" by the economists). The reduction to just three big sisters has underwritten this substantial change in oil politics.

Mining: Mergers and Acquisitions at Record Levels

The basic sectors of the mining industry show different patterns of corporate development. In metals, mergers and acquisitions have been of increasing importance. Even in the coal sector, however, which was previously almost entirely in public hands, the involvement of foreign companies within national industries has accelerated.

Mergers and acquisitions have dominated the mining sector for the past two years. According to statistics more than \$18 billion was spent on mergers in 1997. This was \$2 billion more than the previous record of 1995.

The top 10 corporations now control 33% of the total value of metal mine production

Among the biggest acquisitions was the Canadian corporation Alcoa, which purchased Alumax for \$3.5 billion, and the Anglo-American Corporation, which spent more than \$3 billion in taking over smaller companies in South Africa. In gold a \$2.5 billion deal united two USA corporations, Newmont and Santa Fe Pacific Gold. Privatisation has also added to the consolidation of the industry. Brazil privatised nearly 90% of its iron ore; Zambian copper mines were sold to Anglo-American in 1999. Already state-owned corporations like Chile's Codelco have undergone restructuring to make the company more suitable for privatisation.

Coal: On the Launching Pad of Consolidation

Three trends in the coal industry indicate that it will soon see some global consolidation and the emergence of corporations with a global impact on the industry. These trends are:- first, the increasing amount of coal which is exported; second, the privatisations which are planned; and third, the entry of foreign corporations into previously national-based industries.

1997 saw coal production reach a historic record of 5.4 billion tons at the same time as

Global Top 10 Mining Corporations (Non Fuel)			
<i>Corporation</i>	<i>Revenue \$billion (nearest value 1997)</i>	<i>Share Global Production</i>	<i>Employees (estimate)</i>
Anglo American	-	8%	na
Rio Tinto-CRA	47	6.5	51,016
BHP	17	4.0	na
Cia Vale do Rio Doce		3.5	na
Codelco and Enami (Government- Chile)	2.5	na	
Gencor		1.8	na
Noranda		1.7	na
Freeport McMorran	1.5	na	
Phelps Dodge		1.5	na
Asarco		1.5	na

Source: Fortune 500 for sales FT 500 for employment

formal employment dropped in the sector worldwide. Coal now generates 55% of USA electricity and 70% of that in India and in China - the world's three largest populations. Only a small proportion of total world coal production is exported, yet the volume of internationally traded coal is increasing every year and is expected to reach 350 million tons by the year 2000, equalling at least 10% of global output. The main coal shipments by private corporations come from Australia followed by USA and South Africa. In Western Europe previously coal-sufficient economies have begun to import from Eastern Europe.

The coal industry saw considerable and painful restructuring in the past years and, as an indicator of future trends, the involvement of foreign companies in previously national industries has grown. Thus Hanson, Rio Tinto (both UK originating) and Rheinbraun (German based) have recently bought into the US market. In 1997 the only remaining coal mine in Japan was closed, but as a major importer Japan's corporations increased their investments in mines in the Asia-Pacific region.

Major privatisations invariably favour multinational corporations. They are concluded in a framework of general liberalisation and opening of economies to foreign investment, often under pressure from global institutions such as the International Monetary Fund. India's coal industry, for example, is under threat of major de-regulation and structural change at this time for such reasons.

Electricity: From National Monopolies to Global Utilities

The electric power generation and supply sectors have been a prime target for corporate globalisation. Typically this sector was part of the so-called "utilities" sector, either held di-

rectly in public ownership or strictly controlled by public regulation as a “natural monopoly”. Despite this classification, there has been little hesitation in devolving this natural monopoly onto private owners. National energy markets were first de-regulated, then opened up to international capital.

Global energy and utilities corporations have emerged very swiftly to take over strategic assets and to plan international production and distribution chains. Recently oil major Shell announced that it would start investing millions of dollars in the electric power sector because of the good profit scenario. Although EdF of France - the world’s biggest power company - still remains in public hands, it operates now as a global company with power plants and distribution facilities in over 20 countries. According to recently published statistics of Datamonitor, the top five electricity generating companies in the world now control 12.9 per cent of global generating capacity – equivalent to the combined installed capacity of Japan, Germany and the UK. For an industry that was almost wholly nationally based just a decade ago, this represents a rapid change of emphasis.

Generation, transmission and distribution systems have been first disaggregated and later re-grouped under new ownership. Price setting has been freed up and electricity exchanges or spot markets have been opened to facilitate transfer of current across borders. Under the guise of ‘liberalisation’ of the energy market, a single European market for energy is being created, where the dominant corporations will have new cross-border opportunities. During the 1990’s US energy giants took over seven of the 12 regional electricity companies created under Britain’s privatisation wave and have expanded elsewhere in Europe, in Latin America and in Asia. Now the wave appears to have reversed with Scottish Power buying America’s PacifiCorp for over \$7 billion. Meanwhile, European mergers have intensified, with EdF buying London Electricity for \$3.2 billion and IVO of Finland buying Energi of Sweden for \$2 billion.

Spending on acquisitions and mergers continued in 1999 to reach \$13.3 billion during just the first five months of the year. The following table shows the major cross-border take-overs during that period:

Top 10 Cross-border Electricity Acquisitions (First 5 months 1999)				
<i>Bidder</i>	<i>Origin</i>	<i>Target</i>	<i>Origin</i>	<i>Worth (\$m.)</i>
Reliant Energy	US	Una	Dutch	2,400
Endesa	Spain	Endesa	Chile	2,125
Mission Energy	US	Ferrybridge	UK	2,099
National Grid	UK	Eastern Utilities	US	1,030
ADR Listing	Int	Kepco	S.Korea	1,002
Sempra/PSEG	US	Chilquinta	Chile	830
Mission Energy	US	Contact Energy	N. Zealand	644
Transalta	Can	Centralia Power	US	554
Undisclosed	?	Citic Pacific	China	300
GPU	US	Power Co.	N. Zealand	273

Source: PricewaterhouseCoopers

This process of electric power restructuring has resulted in mass layoffs for workers in the industry as outsourcing and work speed-ups have increased. Above all, however, the absence of social control over these essential supplies causes concern. In the context of the European Union and the European Energy Charter, ICEM and its sister federation, EMCEF, have been calling for this situation to be rectified in the interests of workers and the community.

Rubber: The Global Three - Even Bigger?

The global rubber industry has a sales figure in the region of \$100 billion of which about \$70 billion for tyres and an estimated \$25-36 billion in non-tyre sales. In world scale terms this is therefore a moderately sized industry - in the oil industry, for example, just one corporation (Exxon/Mobil) has over twice the sales of the whole rubber industry. Global employment figures are estimated at over 700,000 of which 450,000 are in tyre production.

Of the total world market, three regions - North America, Asia and Europe - account for 90 percent of sales at about \$23 billion each. The industry is a big employer and there has been a recent shift to low labour cost countries - labour costs are claimed to be 80% lower in the Czech Republic than in Germany, for example. At the same time productivity is increasing at 5% per annum and is outstripping new demand – a further sign of job losses to come.

This is a highly concentrated sector. The top six companies now control 73% of world tyre markets and the top three control 53%. The top 3 corporations' combined sales are greater than the combined sales of the next 30 rubber corporations on the global listings ranked in order of sales. Under these conditions analysts view the rubber industry as a mature oligopoly and the contest for regional markets provides a model for other industries that reach a similar level of concentration.

Global Top 6 Rubber Corporations			
<i>Corporation</i>	<i>Sales \$ billion</i>	<i>Global Tyre Market Share</i>	<i>Employment</i>
Bridgestone	18	18	na
Michelin	13	18	123,254
Goodyear	13	16	95,302
Continental	5	7	na
Sumitomo	4	6	na
Pirelli	4	5	na

Source: Fortune 500 for sales FT 500 for employment

Despite this "maturity" the big three corporations are set to grow by absorption and the small three of the top six are predestined to consolidate further. In 1997 Bridgestone (Japan) bought Firestone (USA), in 1999 Goodyear combined with Sumitomo (Japan) to make a strong first rank contender. All this has put pressure on stand-alone Continental. Continental has just 8% of the world tyre market, but most of it is in Europe - the basic territory of leading player Michelin. There were purchases and consolidations amongst the smaller companies, including, for example, Cooper Tyre's of USA purchase of Avon.

The big three will determine the direction of future consolidations. The “triadised” industry - named after the triad of trading blocs centred on North America, the European Union and Japan/Asia - has divided up the world market on the basis of regional hegemonies. Thus French-headquartered Michelin has 32% of the EU market, Japan-headquartered Bridgestone 28% of the Asian market and USA-headquartered Goodyear 30% of the North American and South American markets.

Chemicals: Continuous Restructuring

The global chemical industry is experiencing a slowdown after many years of high growth, which mostly outstripped general industrial growth rates. While this slowdown is blamed primarily on economic conditions in major producing and consuming countries and, to a lesser extent, on the fall in South East Asian demand, it also reflects a downswing in the traditional industry cycle of over-capacity/under-capacity. In 1996 the global output of the industry moved to \$1.570 billion which represented a growth of only 0.2%. This contrasts with a 10-year average growth rate up to 1996 of 6.3%.

Over the past 15 years there has been some shift in global production, away from North America and Western Europe and towards the Asia-Pacific region. This has, however, been a less limited shift than is often stated. For example, it only reduced the global stake of North American production from 28 percent of the world total production in 1985 to 25% in 1995. The changes in the economic prospects for the East-Asian region after the economic events of 1997 mean that the expected surge in production and consumption in this region is likely to be dampened.

Global Top 10 Chemical Corporations		
<i>Corporation</i>	<i>Sales Billions Nearest 1997</i>	<i>Employment (estimate)</i>
E.I du Pont de Nemours	\$41	98,009
BASF	\$32	105,885
Bayer	\$32	144,728
Hoechst	\$30	137,374
Dow Chemical	\$20	42,861
ICI	\$18	69,500
Rhone-Poulenc	\$15	68,771
Mitsubishi	\$14	11,973
Montedison	\$14	27,693
Norsk	\$13	38,271

Source: Fortune 500 for sales, FT 500 for employment

Mergers, acquisitions and alliances in the current period have been stimulated by a desire to concentrate resources on key areas of production and achieve savings and efficiencies compared with other producers by increasing plant size to global scale.

Globalisation, market share, regionalisation, focusing, and internal profit taking are the language of size and power in the global market. In 1995 US-headquartered multinationals produced 23% of world production, Japan-headquartered 16% and German-headquartered

8%. With such concentrations already in place, the merger of corporations from the same headquarters country produce dominant national and global companies needed to secure global market share in particular product groups.

According to an authoritative UN ranking, the chemicals and pharmaceuticals industries are the most "transnationalised" based on a criterion that combines foreign assets, sales and employment distributions. Thus, for example, using this index, the Solvay company becomes the second most transnationalised corporation in the world with 92% of its assets, 94% of its sales and 90% of its employment outside its headquarters country of Belgium. By comparison, BASF rates as the 48th most transnationalised corporation with 43% foreign assets, 72% foreign sales and with 37% of employees – 40,297 persons – outside Germany.

Alliances and joint ventures for technical cooperation and market shares are becoming common between USA-headquartered and Western-European headquartered companies. In 1996 alone the following alliancing and joint venture arrangements were made:- BASF with Dupont in China for synthetic fibres; Exxon and DSM of Netherlands for speciality chemicals for rubber; Dow and Montell Polyofines (itself out of a alliance between Shell and Montedison from Italy); Dow and P.B. Chemicals for polyethylene process cross-licensing. Likewise, USA headquartered companies Exxon and Union Carbide allianced for new metallocenes; Dow and Du Pont created Du Pont Dow Elastomers.

Behind this activity lies a strategy to deal with foreseen over-capacity and recession. The head of the strategic planning unit of Shell is reported to be of the opinion that "joint ventures are becoming more the norm. There are probably a lot more to come. People are using this vehicle in hopes of getting economies of scale and increasing profits". But experts at the same meeting noted that 50% of the surviving mergers do not outperform industrial averages after the merger.

More violent restructuring is also to be expected as corporations concentrate on their core activities. Japan-headquartered Shin Etsu's purchase of Rovin - a Shell/AKZO holding - will push the company to the top of the world PVC production league. Hoechst and Rhône-Poulenc have a firm agreement to merge to create a "life-science" corporation called Aventis, which may be completed by the end of 1999. The new company would have sales of \$20 billion and a workforce of 95,000, but the plan calls for both companies to sell their chemical activities. The two companies had combined sales of \$45 billion in 1997 and it is expected that this will mean a transfer of chemical sales in the order of \$15 billion.

If all, or part, of this revenue went to any of the top five of the chemical industry then the top structure of the industry would become even more concentrated. Already the combined sales of the top 4 corporations are more than the combined sales of the next 12 corporations ranked by their sales revenues. The chemical industry's top-heaviness is so far less noticeable in aggregate than is the case in other industries, but the tendency is clear when product groups are assessed.

Pharmaceuticals: A Prescription for Concentration

Pharmaceuticals have long been a global growth industry, although the nature of its products is set to change in the next decade. The growth is neither stable nor guaranteed, as it arises from the combination of new markets such as India and China and from the increased use of drugs by aging populations in Europe, Japan and North America. The Indian market, for

Top 10 Global Pharmaceuticals Corporations	
<i>Corporation</i>	<i>Sales \$Billion Nearest (1997)</i>
Merk	24
Johnson & Johnson	23
Novartis	22
Bristol-Myers Squibb	17
American Home Products	14
Glaxo Wellcome	13
Roche	13
Smithkline Beecham	13
Pfizer	13
Abbott	12

Source: Fortune 500

example, has grown to 200 million persons who are estimated to be able to afford basic medicines and the drugs market is growing at 15% per year.

Concentration in the pharmaceutical industry is increasing rapidly. In 1995, 25 companies controlled 53% of the world prescription drug market. That level of control is now achieved by just 15 corporations. The merger of Sandoz and Ciba-Geigy to form Novartis joined two companies with a 2.5% world market share each in prescription drugs. This brought them level with the Merck share of over 5 percent. The industry is now moving to the position where the top 4 corporations will control nearly 20 percent of the world market.

The actions of the pharmaceutical corporations are being driven by five different trends. First, a number of patents for important profit-making drugs are soon to expire - in the next 10 years about 135 single-source prescription drugs will lose their patent restrictions in the USA. Second, generic drugs are competing with the higher profit and profiled brand names. Third, a price resistance derived from pressure on health care costs and especially on the use and cost of drug treatment is almost universal. Fourth, success in the global policing of "illegal" copying of drugs. (Spear headed by the rules of the World Trade Organisation the multinationals have been putting pressure on governments in Asia and Latin America to curb their local copying practices with some success.) Fifth, the market for pharmaceuticals is not homogeneous. The market is in fact a series of mini-monopolies, dictated by specific diseases and protected by tough patent legislation.

The first wave of restructuring was to prepare for the decline in controlled markets and brand name drugs. This meant four years of corporate negotiations and a wave of mergers and acquisitions. A second wave is now occurring. This wave is not characterised by defen-

sive action but by initiatives to increase global market shares and it is likely to continue until the concentration looks more like the profiles of the other industries.

Japanese corporations have been in a special position in the global corporate picture. The Japanese pharmaceutical corporations have a low profile in size and international spread yet over the past years they have been responsible for a disproportionate number of new drug registrations, amounting each year to at least 35% of world total. At the same time 90% of Japanese corporation sales are within Japan. This situation has been substantially disturbed by new national price regulations which have required a series of price reductions - 6.8% in 1996 alone and further regulations in the pipeline.

Paper: Dominant and Secondary Mergers

Through to 1997 paper and board production has increased for 14 years reaching near 300 million tons. Part of this growth has been driven by Asia, which now represents 29% of paper and board production. The global regional figures are adjusting as the South East Asian downturn works through and Russian production is still declining.

Top 6 Global Paper Corporations	
<i>Corporation</i>	<i>Sales \$Billion nearest (1997)</i>
International Paper	20
George-Pacific	13
Kimberly-Clark	12
Weyerhaeuser	11
Oji Paper	10
UPM-Kymmene	10

Source: Fortune 500

The industry is consolidating and, through cross-border mergers, rapidly globalising. In Finland 10 years ago there were 20 companies and now there are three. These three are seeking global market shares. Swedish corporations are following the same pattern but at the same time seeking footholds in Finland as with the recent merger of Swedish Stora and Finland's Enso. In the USA, International Paper bought out Federal Paper Board and now directly controls 34% of the bleached board market.

An industry analyst noted last year, "We are going to see five or six global companies develop into dominant players on the market" and others argue that the "dominant" mergers, when two already large corporations merge, will be accompanied by downstream smaller mergers.

Typical of this process is the Finnish-headquartered UPM-Kymmene, which was created from two Finnish corporations. Throughout 1998 the corporation aggressively sought cross-border purchases, especially in Asia. It established a joint venture with Pacific Resources International of Singapore making it the biggest alliance for fine printing paper. Then it acquired an USA subsidiary of a New Zealand headquartered corporation. The CEO noted,

“We have satisfied our strategic intent. We saw we needed to be a world-wide producer not just a world-wide seller... having achieved this in the USA and Asia I am content with our position today.”

Environmental Services/Waste Management: Cleaning Up Globally

An important industry has developed around the issue of waste management in all its aspects. Prior to the wave of privatisation restructuring noted across all industrial sectors, this industry was largely handled as a part of general public infrastructure. A number of major corporations, operating across national borders, now cover an increasingly lucrative private market in waste management and waste clean up.

According to a private-sector estimate, in 1996 the global environmental market represented some US\$ 452 billion in revenues generated by private companies and public-sector bodies. Half of the market was generated by fees generated by services, with the remaining half almost equally divided between equipment sales and the sale of environmental resources. Around 87% of the total was generated in the USA, Western Europe and Japan; only the remaining 13 per cent was generated by developing countries.

However, there is still huge potential in many developing countries where growth in the environmental industry has reached 5-25 per cent and where there is a critical need for environmental services to deal with sometimes dramatic environmental problems.

The factors which are driving demand for waste management services include:

- the development and enforcement of environmental legislation
- market-based incentives
- fiscal policies
- public education and awareness
- multilateral and bilateral assistance programmes

Despite its relatively recent emergence from public ownership into the private sector in most countries, the pattern of concentration in this industry is already very marked. Its domination by global waste corporations is also advancing rapidly. Waste Management of the USA remains the world's largest solid waste company. It is a thoroughly global operator, managing waste disposal in the streets of Sydney, Australia, as well as throughout the USA and in many countries of Europe. A recent buy-out of Marius Pedersen of Denmark has also made Waste Management the largest company in the sector in that country. Taken over by USA Waste Services in a recent merger at a cost of over \$20 billion, the group has received clearance from the US authorities to further extend its empire by taking over Eastern Environmental Services, despite the fact that it now controls 22 per cent of North America's waste business.

The leading four companies in solid waste in the USA control over 50 per cent of the market. This wave of consolidation is moving further ahead with the purchase of second-place Browning-Ferris by Allied Waste Industries Inc. for a price of over \$9 billion. The new entity promises a further round of cost-cuts, despite the burgeoning market in waste disposal.

In Europe too a similar route to market dominance is evident. French Vivendi recently announced that it has put together a war chest of nearly \$7.5 billion to make acquisitions over the next two years. Formerly Compagnie Générale des Eaux (a water utility) the group has been totally restructured since 1996, with operating profit climbing vertiginously by 65 per cent in the first half of 1998. Its recent purchases include FCC of Spain, the country's biggest services provider, aimed at a joint push into Latin America. A rival local waste company, Bofesa Medio Ambiente (BMA), has responded by buying a controlling interest in two smaller undertakings. BMA is controlled (51%) by German group Berzelius Umwelt Service.

Germany's Euro Waste Services (EWS) recently acquired waste disposal activities of Preussag Noell, following purchase of the scrap metal business from steel maker KRUPP earlier in 1998. The German Cartel Office approved a plan in mid-1998 that allowed the merger of the waste disposal assets of Ruhrkhole and VEW.

Not to be left behind in the race, UK's Waste Recycling Group (WRG) bought the waste division of Yorkshire Water to form the biggest private waste management company in Britain. Yet with a market share of a little over 3 per cent of the UK's \$10 billion annual waste market, the process clearly has a long way to go before it rivals the position of the global players emanating from the USA.

Cement: Strategic Participation

Because cement is produced for very local markets the global industry is characterised by large numbers of smaller locally owned plants. But the large corporations affect the local markets by "strategic participation". Their size allows them to dominate pricing and market access through managing economies of scale because of the large capital investment involved in building cement works. Over 50 per cent of a typical cement plant's cost structure is fixed, resulting in low marginal cost of incremental units of production. Thus financial returns are particularly sensitive to volume and pricing is crucial. The larger the group, the more it is able to exploit this advantage in times of crisis.

Cement travels well only in bulk and by sea. Therefore it is not a highly traded product. Less than 6 per cent of global production enters into international trade, with the result that there are strong incentives to isolate national or regional markets and to secure a separate dominance in each. Thus the pattern of consolidation in the industry is not necessarily mergers between the large seven multinationals globally, but rather their purchase of smaller companies in different regions.

Thus British-headquartered Blue Circle has recently expanded in Malaysia, Singapore and in Chile. Together with Holderbank, it controls 80 per cent of the Chilean market and 20 per cent of the US market.

Ownership of the US cement market by foreign-originating groups has increased from just 5 per cent in the 1970's to over 80 per cent today. None of the largest US producers is domestically owned. Investigation of price fixing and market allocation between the supposed competitors is a perennial problem for regulatory authorities in all national and regional markets.

The largest cement corporations are Swiss-headquartered Holderbank, active in 61 countries with a turnover of \$4 billion and French-headquartered Lafarge, active in 60 countries. Lafarge sold nearly two per cent of its share capital to institutional investors during 1999 to

create a war chest of over \$1 billion to pursue its acquisition plans. Heidelberger of Germany merged with Swedish/Norwegian joint venture Scancem in the course of 1999 at a cost of \$2.5 billion. The move makes the new group the dominant player throughout the Nordic and Baltic region and becomes the second largest producer in the UK behind indigenous Blue Circle. Italian-headquartered Italcementi and French-headquartered Ciments Français complete the ranks of the global cement companies. These corporations account for only about 15% of total world production, but control much more than they produce directly for the reasons stated above.

Privatisation of previously state-owned cement groups is proceeding fast in Eastern Europe and elsewhere. In Uzbekistan the State Property Commission announced the sale to foreign investors of a further 25 per cent of Akhanarantsement, one of the largest building materials producers in the country. Holderbank already owns nearly 36 per cent of the stock. Egypt also announced that it would be selling off 77 per cent of the state Assuit Cement Company as part of its ongoing privatisation drive.

Glass and Ceramics: Cost-cutting Drives Job Losses

Ceramics

The international competitive position of the ceramics industry varies according to each subsector. Subsectors include tableware, ornamental ware, tiles and sanitaryware. In these particular areas the fastest growth has been occurring in the East Asian markets, with China displaying considerable growth over the last few years to become the world's largest ceramics producer, with more than 9.9 billion items produced annually. New technology and equipment have been introduced to improve production. China has more than 1,000 ceramics companies with exports to 150 countries and regions, worth US\$1.09 billion.

Faced with this new competition, mergers have been on the increase in the industrialised countries. Waterford Wedgwood (UK) acquired 85% of Rosenthal (Germany) and Royal Copenhagen merged with Orrefors to form Royal Scandinavia. Low cost producers from Eastern Europe, Latin America and East Asia have highlighted the vulnerability of small-scale producers in the west. Companies are under increasing pressure to merge or form alliances, as evidence mounts that the industry will soon be dominated by a handful of global players. Just five companies now dominate 92% of the dinnerware market – these are Lenox, Noritake, Wedgwood, Royal Doulton and Mikasa. American Standard (a US based sanitaryware manufacturer) absorbed Britain's Armitage Shanks last year at a cost of \$415 million. As a result, the combination now has over 18% of the European market, making it number one in the industry and almost twice as big as its competitors Sanitec and Keramik Laufen. It has plants in more than 20 countries (including three in China) total sales for the first quarter of 1999 were \$1.7 billion. In response, Sanitec (Finland) recently announced a \$124 million take-over of a Dutch rival, Sphinx Gustavsberg, to create one of Europe's largest bathroom products businesses. The merged entity will have combined sales of more than \$850 million.

For technical ceramics, Japan is the most important producer worldwide closely followed by the USA, with the EU occupying third position. Within the EU Germany dominates the market for technical ceramics. It is perhaps in this area that there is likely to be most growth with new applications in automotive, telecommunication computer and semiconductor industries. Many of the companies listed as top ceramic and glass manufacturers (see below) operate within this category.

The refractories sector is heavily dependent upon the iron and steel industry and 65% of the 22 to 25 million tons of refractories manufactured worldwide will be used by this industry.

It is clear that globalisation has not left the ceramics Industry untouched. There has been a process of change within the sector for a number of years as companies have accelerated industrial restructuring. Problems typically faced are a low take up of technology, a lack of innovative and dynamic management, poor premises and environmental performance. The process of change has meant a severe loss of jobs, changes in work practices and production processes. It is estimated that there could be further job losses within the industry of up to 20% and possibly more. With some 262.000 people employed in the combined sectors of the ceramics industry within Europe alone this is a significant figure for future employment.

Glass

Similarly to the ceramics Industry the glass industry can be broken down into subsectors. These include reinforcement / glass fibreglass, household ware, special glass, flat glass, and container glass. Production percentage volumes for each subsector are:

Reinforcement glass	4%
Household Ware	4%
Special Glass	6%
Flat Glass	24%
Container Glass	60%

Currently the largest glass-producing region in the world is the European Union with the leading country being Germany. There has, however, during recent years been a shift in production to Central and Eastern Europe, especially on the basis of price and shifting investment. Saint Gobain is the largest producer of container and flat glass and a prime example of this process. As the production process is labour intensive the company has opted to shift production to Eastern Europe, where labour costs are much lower. Gullfiber, a subsidiary of Saint-Gobain, is opening an insulation plant in Gliwice, Poland at the beginning of June 1999. This will be the group's 15th establishment in Poland. A recent Institut der deutschen Wirtschaft research bulletin quoted labour costs in Poland at DM 5.48 per hour worked compared to DM 47.92 per hour in Germany. At the beginning of 1999 Saint-Gobain bought ERG-Okfens, in Czeladz, and recently opened a car glass plant in Dabrowa Gornicza. Saint-Gobain began to invest in Poland in 1992 and has invested more than PLN 1.17 billion. A further development in Poland is the news that the Privatisation Agency will soon announce a new tender inviting interested investors to bid for the Czestochowska Huta Szkla (CHS) glassworks. The company requires an estimated PLN 200 million in modernisation and investment within the next two to three years. Other leading companies in this sector include Pilkington, Gerresheimer, and Glaverbel/PPG.

The subsector for special glass covers areas such as glass used in PC screens and TVs. Largest producing countries are Japan and the USA with the top three companies being Schott, Corning, and Nippon Electric Glass. This area is growing as the reduction in cost of PCs has increased demand in the retail sector.

Household ware is the most "visible" glass sector in the market and international competition is fierce. The sector includes general tableware, crystal giftware, stemware and barware. The Far East is increasing production in this area but Eastern Europe remains a dominant

producer with the Czech Republic being the biggest producer and exporter of table and crystalware. A recent report in CTK business news stated that the glass sectors restructuring amounting to some Kc30bn had to a large extent been carried out with the support of foreign capital. Of the above amount 70% was said to be earmarked for technological equipment with environmental elements of the investment amounting to some Kc6.5bn. Leading companies in this area are Waterford, Mikasa, Noritake and Oneida.

The effects of cost cutting on the glass industry are typified by Pilkington's recent efforts to reduce overheads and increase margins by axing as much as 20 per cent of its workforce.

Global Top Ten Ceramics & Glass Companies		
<i>Corporation</i>	<i>Revenue</i>	<i>Home Country</i>
Compagnie de Saint-Gobain	\$16.7 billion	France
Philips NV Semiconductors Division	\$15 billion	Holland
Lafarge S.A.	\$11 billion	France
Motorola Schaumburg, IL Motorola semiconductor products sector	\$8 billion	USA
Asahi Glass Co. Ltd.	\$7.3 billion	Japan
American Standard Companies, Inc	\$5.8 billion	USA
Kyocera Corp.	\$5.5 billion	Japan
Cooper Industries, Inc.	\$5.289 billion	USA
Pilkington, Inc	\$4.8 billion	UK
Owens-Illinois Inc.	\$4.7 billion	USA

Section 2: THE ARRIVAL OF THE MEGA-CORPORATION

Why are these mega-corporations being constructed? What are the dynamics pushing them in the direction of ever more extensive mergers and acquisitions?

The general tendency towards oligopoly and concentration is fuelled in particular by the changed internal governance of the modern corporation and by a shift in concern of investors for value from real production to the values of the stock market.

The “Normal” Trend to Mega-Corps

The tendency for businessmen to cooperate, collude or conspire for market control has been a known characteristic of the market system since the earliest days of capitalism. For this reason almost all countries have laws against “unfair” competition, monopoly behaviour, abuse of market power, and cartels.

“People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary.”

Adam Smith (often considered as a guru of ‘free market’ economists) writing in his classic study, *‘The Wealth of Nations’* in 1776 – nearly two hundred years before the establishment of the GATT and World Trade Organisation!

In May 1999 a \$725 million fine was imposed on the European chemical giants, Roche and BASF, for their part in a nine year long market-rigging cartel in vitamins. Joel Klein, head of the antitrust division at the US Justice Department, said: *“This cartel was truly extraordinary. It lasted almost a decade and involved a highly sophisticated and elaborate conspiracy to control everything about the sale of these products”*. The nature of business, it seems, does not improve with time.

These laws are the proof that past politicians and economists were convinced that “healthy competition” in the market was not a natural process, but one which had to be artificially enforced - if necessary, through fines, injunctions and imprisonment - against businessmen who departed from the agreed rules of the competition game.

Economists accepted that oligopolies could earn “abnormal profits” (and do so in the long term) if barriers to entry to the industry were maintained. But all these politicians, writers and theorists made a fundamental assumption: this was that amalgamation and restraint of competition was a national matter that could be controlled by national laws.

There are no international laws that can be enforced against global monopolies to promote competition on a world basis. Corporations that have the scope to operate at global level may therefore to a large extent escape from the constraints imposed upon national companies, even though they may have “local” or regional problems. In 1994 in the Euro-

pean Union, for example, 33 cement companies were convicted for fixing prices across the region and were fined for this infringement of competition rules. It made no difference to the structure of the global industry, which continued its headlong concentration to the point where now just 5 companies command a dominant market position. Nor did it make a difference to the practice of charging substantially different prices for the same product in different national markets.

Given this general trend to unrestricted concentration, two internal factors of corporate governance have assumed increased importance. These are internal profit taking and the divorce between stockmarket valuation and productive effort.

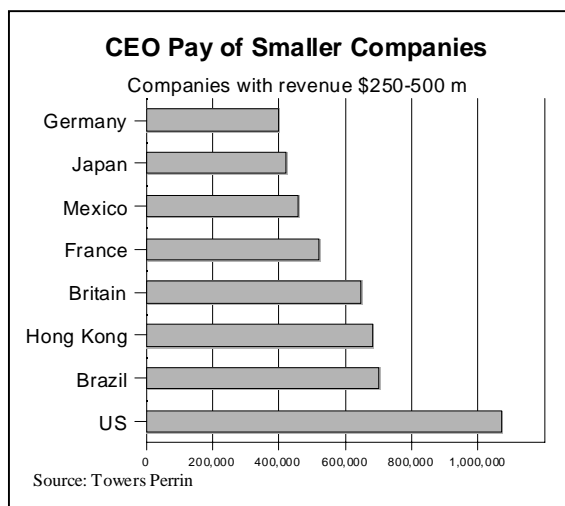
Executive Pay and Internal Profit Taking

It is widely agreed that executive salaries and benefits in large corporations have reached irrational and unacceptable levels. Even pro-business journals and organisations have complained over the past 10 years of the increasing divorce between real corporate performance and the level of executive remuneration. In the 1998 Business Week survey it was revealed that Chief Executive Officers of the leading US corporations received an average annual 'compensation', including their stock options, of \$7.8 million. That represented a 35% increase over the previous year (compared with average wage increase for production workers of 3%) and was 326 times the earnings of the average American factory worker. Furthermore, an analysis of these earnings by the Institute for Policy Studies revealed that many of the highest paid executives were the ones who had eliminated the most jobs.

Executive "reward packages" are composed of four components: basic pay, bonus, privileges and stock and pension options. In the USA, stock options can be worth more than a third of the total package, although in other countries, such as Germany and Japan, stock options are less important.

Executive super-salaries and their knock-on effect upon the salaries of lower ranked executives and smaller companies (see chart) have been a major factor increasing the gap between the lowest and highest paid in all industrial countries.

Excessive executive pay has another important incentive: it encourages top management to increase the size of the corporation through merger and acquisition. Increased size lowers the accounting impact of big salaries as a proportion of turnover or profits and increases the stock market valuation of the corporation. As part of top executive pay is increasingly linked to stock value, executive rewards increase with corporate size.



Executive pay is part of internal profit taking within the corporation. This means that an important part of the surplus made by corporate operations is distributed internally in unequal proportions between professional and production workers. Top management divides any surpluses created amongst themselves, the stockholders and a host of professionals - consultants, lawyers, accountants, architects, management consultants, designers and other professional contractors. In recent years such external professionals have not only increased in number but have also increased their fees. For example, in order to pay the directors and CEO's their average \$7.8 million in 1997, corporations employed "remuneration committees" who, in turn, employ "pay consultants" who most certainly employ lawyers. The surplus is thus distributed among a wider and wider circle outside the ranks of those who made the original surpluses.

All these fee-earners have an interest in inflating executive pay, fees, perks, bonuses, and expenses. Under the current circumstances, they also share an interest in laying off workers, cutting social overheads, resisting customer claims, reducing health, safety and environment expenditures in order to create greater surpluses upon which this feeding frenzy breeds.

From Productive Capitalism to Finance Capitalism

If stock prices rose only in response to the excellence and efficiency of the company then the reward system would at least be logical, even if still excessive. But stock prices no longer move year-on-year in that way. With the increase in internal profit taking has come a vast growth in the use of shares as speculative instruments on the open market. The 'stockholder' of the past has become the 'stockdealer' of the present. Share value has become more a function of market image than a reflection of productive effort. Shares can - and do - increase because of cost cutting moves that promise to add effectiveness. They can - and do - increase because assets of the corporation appear to be more valuable, or are said to be more valuable, through no action of the corporation - as in the re-evaluation and over-evaluation of real estate. But, above all, they always increase at a time of merger.

Stockdealers and top managers thus have a vested interest in the rise in the external value of the corporation's stock prices and therefore in mergers which produce short-term increases in stock prices. This system not only produces an excessive interest in the short term, but also results in a drive towards gigantism and cost cutting that has little or nothing to do with real productive efficiency.

Ownership of capital has become increasingly divorced from its application to productive purposes. One recent authority (Joel Kurtzman, writing in 'The Death of Money', 1993) estimates that, for every \$1 circulating in the productive world economy, between \$20 and \$50 circulates in the economy of pure finance. According to 1993 US Federal Reserve figures, corporate capital raised from the sale of new share offerings amounted to only 4 per cent of the total finance capital of US companies. The rest came mostly from earnings retained within the corporation (82 per cent), or from external borrowing (14 per cent). Between 1987 and 1994, companies paid out more to the market to shore up their own share price than they received in new stock issues. In early 1998 what is now in-

Two thirds of British directors in a survey of 250 companies are paid on the basis of a 12-month **financial performance**. An expert commented on the survey, "*By rewarding financial performance we continue to encourage people to achieve their pay targets at the expense of long-term relationships.*"

Financial Times, August 1998

accurately called 'investment capital' was flowing *FROM* corporations *INTO* the stock markets at an annual rate of \$110 billions. In other words, the net flow of funds from the stock market into the companies in which stocks are theoretically invested is actually **a negative flow**. Productive effort is being bled dry for speculative gain.

Section 3: IMPACT OF THE MEGA-CORP

Once the mega-corp has been formed, there are a number of changes that take place in its practice and operations. In this section four are identified:- from profits to surplus, from “competition” to contest, from constructing to merging, and from democratic dialogue to market force. Each one of these shifts has had specific impacts on working people at the global and national levels that are also considered in this section.

From Profits to Surplus

Market propaganda promotes the idea that profits are obtained for investors by investment in efficient businesses that show results in increased sales, productivity and expansion of market demand for goods, leading naturally to a profitable outcome.

The consolidation and gigantism at the top of key industrial sectors has changed this pattern.

Most leading companies have achieved, or are aiming to achieve, stable market shares within relatively stagnant or mature world markets. The result is frequent bouts of over-production that put downward pressure on product prices. Under such circumstances surpluses are achieved by short-term cost-cutting. Output and market scope may remain the same – or even may decline - but raw materials, labour costs and other operating costs must be reduced to produce high “profitability”.

There are other factors that have become important in the new situation. Corporations have begun to rely on receipts of extra income from activities that have little or no direct connection to core business operations. When real estate held by the corporation is revalued it represents an apparent gain in that year - economists call this ‘rent’ and when it becomes a policy it is ‘rent-seeking’.

Rent-seeking, coupled with cost-cutting, represents a new corporate concept that differs substantially from the classical idea of “profit” under the old economic system. In fact, the corporation increasingly seeks not externally declared profits but internally consumed “surpluses” which are derived from squeezing labour, raw material prices, exchange speculation, real-estate revaluation, transfer pricing and other non-productive devices.

This new operating goal has important impacts on the world of political activity. Wages, raw materials, currencies, are influenced by an interplay of forces between business, governments, unions, civil organisations, regional organisations, etc. To manipulate these forces in the interests of increasing surplus, the corporation must shift its focus from strictly business to political operations. Altering the prices of these inputs requires recourse to political pressure, lobbying, bribery, propaganda, price fixing and manipulative public relations.

Many key corporations have effectively moved in this way from the profit-seeking market arena to the surplus-seeking power arena.

Cost-cutting = Redundancies, Speed-ups, Health and Environmental Hazards and Non-Sustainability

Under this new situation, the corporation is driven from inside by the desire for ever-rising stock market valuation and executive salaries and from the outside by the need for increased

market share and global power. As a result, the company may pursue a number of alternative strategies that affect workers, lower income groups and society in general.

Labour cost reductions have become the principal route to cost cutting. Reducing the wages bill used to mean increasing the productivity of existing workers as sales also increased; now it means cutting numbers employed, lowering wages and benefits and increasing the intensity of work.

Union members have become very familiar over recent years with the mechanisms used by companies to reduce wages. Universal demands for "more flexibility" in labour markets amount to:

- replacing senior and permanent workers with temporary and junior workers
- increasing the pace of work for the same or lower wages and benefits
- out-sourcing tasks to lower-waged smaller enterprises and informal workers
- shifting production to lower wage areas

"Production chains" have been established by the mega-corps that shift the focus of parts production from the familiar central factory to small sub-contractors and across national boundaries to exploit cheaper, unorganised labour.

All these strategies have impacted heavily upon all sections of the workforce, but the most noticeable victims have been women at work and in the home. Often the first to be laid off when restructuring takes place, they are also shouldering the burden of reduced public expenditure on health care, child care and care for the elderly. Even in the workplace, the scandal of lower pay for women has not been eradicated. Job classification schemes that discriminate against "women's work" are still the rule rather than the exception.

"Rough estimates from analysts suggested that the combination of Exxon and Mobil.... might yield savings of between \$2 billion and \$4 billion. Even though they have cut about 30,000 jobs in the past five years - a blood letting which has helped keep them ahead of the pack in terms of profitability - more seem likely, given that Exxon, the dominant company, prides itself on being industry leader in net income per employee."

Financial Times, November 1998

These strategies attack all the existing laws, regulations and institutions that have been established by slow and painstaking social negotiation over 70 years for the protection of workers against precisely such threats. National governments, which have in the past been pressured by big business to reduce anti-trust laws and corporate taxation, are now being asked to deliver deregulation in the labour market, wage reductions in the public services, and cuts in health and environmental protection costs in order to assist the search for surplus.

From Competition to Contest

The search for surplus has also meant a retreat from open "market competition" in the traditional sense of competing on price and efficiency of production. Instead, a winner-takes-all "contest" has ensued in many sectors where merger, acquisition, politics, and economic coercion are used to destroy other market participants and thereby to eliminate competition. The modern mega-corporation is as much a political animal as a business enterprise in its

efforts to secure a position of enduring market dominance.

The global tyre industry may be a model for these developments. The three leading companies each have an overwhelmingly dominant share in their own region. Although each may stake a claim to global spread, French-headquartered Michelin controls 32% of the European market, USA-headquartered Goodyear 30% of the Americas market and Japanese-headquartered Bridgestone 28% of Asia-Pacific. Each segment allows the companies to make their surpluses in different ways. Labour costs are lowest in the Goodyear segment, prices are higher in the Michelin segment and Bridgestone can adjust between a large number of countries which have a tyre-dependency not characteristic of the other markets.

For this reason, traditionally flexible or free systems have increasingly come under corporate control. Of all these systems, world trade is the most important example.

Managed World Trade: From Exchange to Transfer

One of the closely kept secrets of the times is that the much vaunted "free" trade system is not free at all - 70% of it is controlled directly or indirectly by the mega-corps.

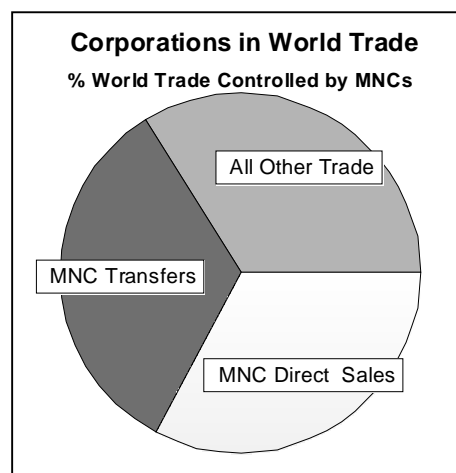
Commentators still persist in describing trade as if it were concerned simply with the exchange of goods and services between independent nation states. Yet today's so-called "trade wars" are really struggles between global corporations in which state delegates are the spokespersons. Statistics from official sources produce tables of inter-national imports and exports without mentioning corporations. Politicians exhort populations to export or become "competitive" when success or failure lies in the hands of a few giant companies and the interplay of global power.

Here are the facts of "world trade":

1) The modern multinational mega-corporations have widely distributed their chains of production around the world. The notion of "national origin" for any specific product has therefore become increasingly meaningless. Total capital in place invested in production facilities of foreign ownership now exceeds \$3,000 billion. Almost all of this (98 percent) is owned, operated and manipulated by the mega-corporations.

2) At least 35% of "world trade" consists of internal parts and product transfers between subsidiaries of the same corporation. A shipment of an intermediate chemical from one plant in Uruguay to the same corporation's plant in Argentina, for example, will be recorded as an "export" from Uruguay and an "import" to Argentina. There is no way to describe this as "competition on the world market"; it is merely a transfer between parts of the same corporation.

3) Another 35% percent of so-called "world trade" is accounted for by the sale of goods produced by subsidiaries of the same



corporations. If a corporation closes a plant in Germany and opens the same plant in Hungary to send the goods to the same customers as before in Germany, then according to the statistics, Hungary and Germany have increased their trade and the sum of "world trade" has increased.

4) In addition to this 70% of world trade that is directly managed by multinational corporations, a sizeable (but unrecorded) part of the remainder is accounted for by the supply of raw materials, parts and supplies from smaller sub-contracting firms that feed the needs of the mega-corps. This proportion is growing as raw materials from the South decline in price and privatisation shifts state exporting companies to the private sector.

In the new corporate world, contests between corporations are hidden behind old mythologies of trade between nation states.

Managing National Governments?

Corporate influence over national governments is a complex and controversial issue everywhere in the world. Accusations of being "pro-big business" often reflect on specific items of policy rather than on the political shading of the government. Yet statistics over the past 25 years do demonstrate that the main policy lines adopted by governments of all types have tended to encourage rather than to impede the growth of the mega-corps.

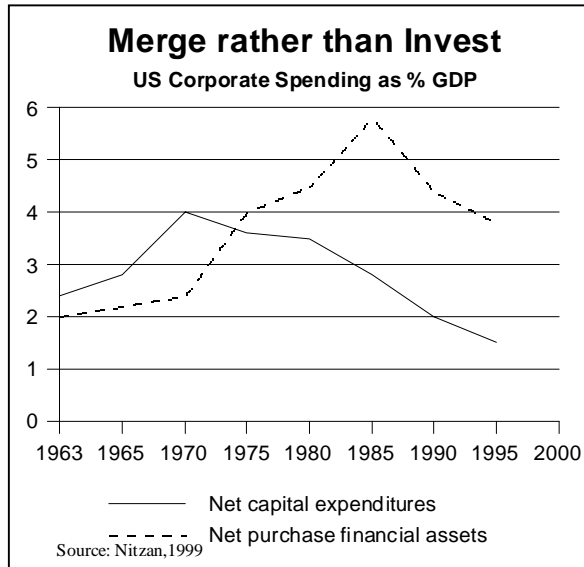
Firstly, over this period the biggest companies that the world has ever seen have been created without serious government intervention. Secondly, corporate taxation has been declining. Thirdly, there have been no effective legal or tax attempts to restrain the growth of high reward packages for executives. Fourthly, the abandonment by governments of full employment policies has helped to reduce wage costs. Fifthly, the relaxation of protective labour laws has allowed corporations to secure surpluses from cost cutting at the expense of workers.

Privatisation programmes that have enabled the private corporations to increase their size by consuming public assets have cemented all of these policies. Between 1994 and 1999, Western European governments have offered \$217 billion of state assets for sale. The "transitional" economies of Central and Eastern Europe and the countries undertaking structural adjustment programmes in the South have given rise to even greater proportional windfalls to private capital.

Ideology and business interests provide almost insurmountable barriers to action by national governments to sustain employment and to ensure that income is more evenly distributed. Any move to oppose the higher income groups and corporations that currently benefit from this social injustice would meet with an immediate flight of capital and result in destabilisation of the economy.

From Constructing to Merging

The contest for survival, the switch from seeking profit for distribution to making surpluses for maximising share prices and the dynamic towards megacorporations have changed the nature and dimensions of the old international economy. The rules and operating culture established during the last century either no longer exist, are directed at false targets, or are in drastic need of updating to fit the new situation.



The economic dynamics of the mega-corps has produced a major over-supply of all types of goods. The imbalance between a world in need and an oversupply of manufactured goods that the greater part of the world's population cannot buy is the major contradiction of our age. It cannot be solved by the current dynamics at play in the private sector.

All these factors encourage a basic strategy – to restrain the expansion of production, cut costs and grow larger by acquisition. In the late 1970s corporate spending on acquisition of existing companies for the first time exceeded new investment.

Since then the trend has accelerated as corporations have steadily absorbed existing capacity rather than build new. (See graph). The mega-corporation is created, stock market value goes up, layoffs mount and the global social economy spins downward.

Financial Crisis and the Money Tidal Wave

The Money World: Flows to Third World (\$ Billion)			
<i>Type of Money</i>	<i>1987</i>	<i>1992</i>	<i>1998</i>
Investment by Corporations	\$9.3	\$32.2	\$85.3
Bank Loans	\$5.3	\$30.2	\$92
Stocks	\$14	\$26.7	\$-70

Source: UN World Economic Survey 1998

The mega-corporation's ability to self-finance its acquisitions from retained earnings (noted above) has combined with other factors to create a vast pool of money seeking a high return from unorthodox sources. Excess personal funds of the super-rich minority (see below) seek an outlet that is no longer provided by productive investment. Meanwhile, the ageing populations in the richer countries collectively, via pension funds, or individually, via investment, seek steady returns for funds they do not wish to spend in the short term. This combination has led to large amounts of cash seeking returns above the level of prevailing bank interest rates.

The process started in the 1970s when the oil corporations (first of the mega-corps) and their banking cohorts received huge revenues from high oil prices and were obliged to distribute their excess petro-dollars as loans to any nation that asked. It was this money that became converted into the scandal of Third World Debt. It was this money that recycled as

Second World Debt when the IMF insisted that Russia borrow in the short-term at high interest rates – a move which a possible future president of Russia described in February 1998 as “criminal”. It was this money which flooded into Thailand and Indonesia to achieve rates of return of 20% and higher from property revaluation and currency speculation. It was this money which left when the bubble burst to reflate First World share prices. The result has been to increase the gap between the real (productive) economy and the finance (speculative) economy. Its hallmark is unemployment, low wages and insecurity.

From Democratic Dialogue to Market Force

A barrage of propaganda that has also distorted any debate on social policy has disguised the changes to the global governance of the world economy. Attempts to plan the future in a reasoned dialogue between elected representatives have been undermined by the exercise of private power.

The corporate agenda is everywhere proclaimed as the received wisdom. The virtues of the market, the need for competition, for flexibilisation of labour and for de-regulation of the corporations are preached with a religious fervour. Financed by company sponsorship at the national level through subsidised institutes, agencies, universities, business schools and captive news sources, the global media is itself thoroughly dominated by mega-corporations.

At the international level the World Bank with 10,000 employees concentrates, as its constitution requires, on providing public relations for the virtues of international investment and market forces.

Many commentators have noted that:-

- the less competition that exists between corporations, the greater the flood of propaganda for the virtues of competition
- the more managed international trade becomes, the more business sources preach the importance of “free” trade
- the more corporations control the economies and the lives of the people, the more citizens are told by politicians that they cannot control the power of the market
- the larger the corporations become, the more “smallness” is presented as a virtue
- the more the market becomes an arena for the contest between corporations, the more it is presented as the uncontrollable product of the “invisible hand of the market”
- the more that nationalism is said to be dead and undesirable in the face of globalisation, the more the nation-state is used as a unit of competition in the world economy.

“Responding to the news that he [the chairman of National Power (UK)] worked two days per week for \$336,000 he was paid last year... [the chairman] said that the free market was the best method available to produce a fair wage system ...”

Financial Times, July 1996

"The development of a global economy has not been matched by the development of a global society. The basic unit for political and social life remains the nation-state. International law and international institutions, insofar as they exist, are not strong enough to prevent war or the large-scale abuse of human rights in individual countries. Ecological threats are not adequately dealt with. Global financial markets are largely beyond the control of national or international authorities. I argue that the current state of affairs is unsound and unsustainable. Financial markets are inherently unstable and there are social needs that cannot be met by giving market forces free rein."

George Soros (leading market speculator, identified by Malaysia's President Mahathir as the architect of the Asian financial collapse), in his book *'The Crisis of Global Capitalism: Open Society Endangered'*, 1998.

The voices of concern, those urging prudence, those protesting, those concerned for the future of the world, are relegated to marginal organisations of limited size and even more limited means. The debate on social policy, on the public means for solving the public issue of unemployment, the mechanisms that can be used to redress the balance towards democracy and transparency in the world, are distorted and weakened.

Restoring democratic health and empowering the social policy debate is the key task of any organisation interested in a more just world.

Section 4: THE WORLD SOCIAL ECONOMY: INCREASING INEQUALITY

The world economy has never been just. There have always been vast differences in wealth and welfare between countries and between income groups within countries. But now the world social economy displays the greatest inequalities since the last century. Inequalities between income earners, between those with work and those without, between nations and groups of nations have widened almost everywhere.

From 1930 onwards the differences between rich and poor nations and the rich and poor within nations had modestly begun to narrow. The great events of that time left a positive impact on social justice in the world. By 1945 trade unions had become legitimate in all the major economies of the world. This was an early indicator of the acceptance by democratic governments that they were responsible and accountable to the public and it was their duty to ensure policies that attended to the needs of the population. The “welfare state” became a desired goal and even an achievement in some countries.

The liberation of the colonies brought improved living conditions for millions and other developments assisted countries to escape from the serfdom and warlordism of the last century and to begin to concentrate on education and basic needs. These modest and stumbling advances were halted in the 1970s and the psychological clock turned back to the turn of the century in which privilege was the dynamic force in the social economy.

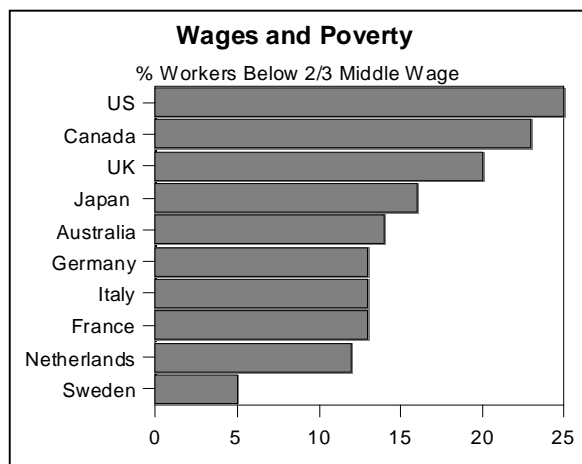
Wage and Income Inequality

In the global social economy the most visible and universal aspect is the widening income inequality. The rich are getting richer and the poor are getting poorer at the plant, local, national and international levels. The concentration of enormous wealth in fewer hands has continued to the point where just 225 people are estimated by the UN Human Development Report for 1998 to have a combined wealth of over \$1,000,000,000,000 (one trillion dollars) – more than the poorer half of the world's population earns in a year.

“Wage dispersion” is the economic jargon for the development in which the wage gap between the lowest paid and the highest paid in the enterprise or country has widened. According to the ILO Employment Report 1997 there were only three small European countries which had escaped this trend. The worst cases were the UK and the USA.

A variety of strategies have been used to bring about this situation. One of them has been the dismantling of full employment policies which has led to greater unemployment or to a much greater number of low-paid jobs.

The most recent ILO survey shows that at least one third of

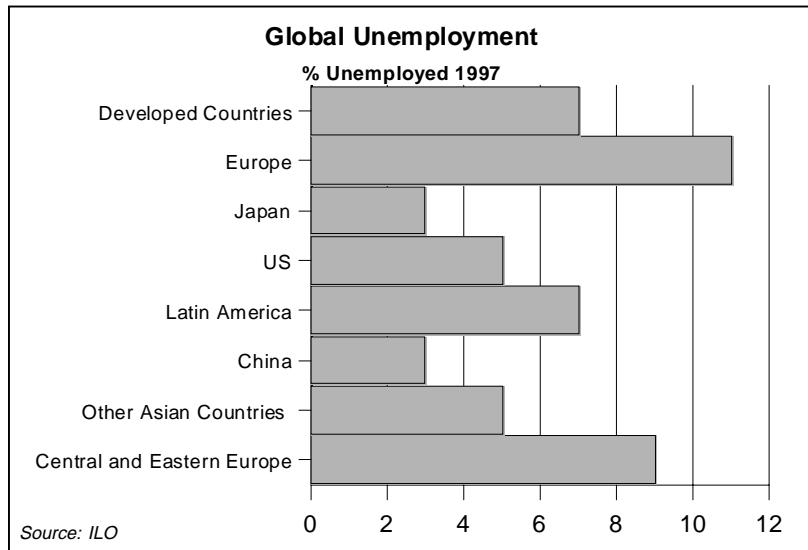


the world's 3 billion labour force is unemployed or underemployed. There are minimally 150 million fully and official unemployed and a further 850 million that would wish to work full-time but are not able to find full time work. The so-called financial crisis in Asia will add at least 10-15 million to this figure.

But unemployment does not of itself explain the redistribution of income. There has been an income struggle in which the lower paid and poorer people have lost in contrast to the period before 1975 where gains had been made through full employment policies, social security systems and educational expansion. In many cases the worsening distribution of income fell on countries which already had very unequal income shares.

The global economy of the mega-corps is the enemy of social economics and the effects of this are now beginning to be seen. Conflicts are mounting between groups, between nations and within regions. Desperate people will take desperate action.

Rich and Poor Countries: In the Same World Economy?



The global trend towards widening income disparities has been matched by a widening difference between rich and poor countries. Regionally it is Latin America and Africa that have seen their relative position decline most dramatically. Between 1980 and 1990 Chile, often quoted by free market apologists as the miracle economy of Latin America, saw the percentage of people in urban poverty increase from 12% to 32%, Bolivia 15% to 43%, Argentina 7% to 15%. In Africa, where statistics are less easily available, Zambian urban poverty moved in 20 years from 26% to 45% and in Kenya from 10% to 29%. Only in Asia were there some gains in reducing poverty but these have been reversed in many cases since 1997.

Globally, the richest 20 percent of the world's population have seen their income increase. Over the past 25 years their share of world income has increased from 70 per cent to 83 per cent.

Statistically, the rich and poor countries seem to inhabit different planets. Even after adjusting for exchange rates and local purchasing power, it is still the case that the average income for a Swiss citizen is \$25,000 as compared with the average for a Honduran citizen of \$2,000 - a 12 times ratio. On the scale from the highest, Brunei with \$31,000 per inhabitant, to the lowest, Democratic Republic of Congo at \$335 per inhabitant, the ratio is one to 92.

[As a result of the financial crisis]
"Mr. ... from the University of Indonesia's Demography Institute said the number of people living below the poverty line would decrease 'simply because they will be wiped out by death.'"

Jakarta Post, December 1998

The most important aspect of world income inequality is not perhaps the size of the gap between the very rich and the very poor, but the fact that this gap is progressively widening. In 1960 the top 20% income earners in the world received 30 times as much as the lowest earners; after 30 years of further development of human society this ratio had doubled to 60 times.

If other factors of human existence are added to these - availability of clean water, education, health care - then the gap between the rich countries and poor is so great and the life styles are so different that they may indeed feel themselves to be inhabiting different planets.

Environment: Emphasising The Need for Global Action

Public acceptance of the environment as a "global commons" that should be protected for all of the world's citizens to enjoy has been confronted by vested corporate interests. Effective international regulation has been difficult to achieve in the face of organised opposition from many of the mega-corps.

Research into hazards and regulation to ensure protection - of humans and the environment - is frequently inadequate and contradictory. According to the USA Environmental Protection Agency, for example, basic toxicological information is available on less than 300 of over 3000 key large-volume chemicals. Yet the USA probably represents the best case as far as provision to the public of such information is concerned.

Under the impact of neo-liberal policies in which production and trade are placed before citizens' protection, regulation is going backwards rather than forwards. For example, in the 1970s there was an extensive debate involving thousands of scientists concerning the environmental and occupational hazards of asbestos. The result was a ban on its use beginning in Sweden in 1974. More recently, however, asbestos corporations have been lobbying the World Trade Organisation to get the ban lifted. Who will now determine whether this substance is once again unleashed on the world? Three little-known scientists appointed by an internal WTO committee have been given the task of re-assessment.

The push towards deregulation as a part of the neo-liberal agenda can spell disaster for the global environment. More than any other area this question emphasises the need for a defence to be mounted of the global public interest and for global regulation of the activities of mega-corps to be reinforced.

Section 5: GLOBAL GOVERNANCE: NO GLOBAL PUBLIC INTEREST

There is much current discussion of “global governance” - how the 6 billion inhabitants of the earth should be governed. There are essentially two choices:

- to combine global resources and intelligence in a drive for common betterment of the human condition – the globalisation of solidarity;

or

- to set individuals, groups, states and regions in competition against one another to gain a greater share of available wealth for their sub-group – the globalisation of greed.

“The Earth has enough for everyone’s need, but not for everyone’s greed”.

Mahatma Gandhi

Globalisation as Solidarity versus Globalisation as Competition

There are some positive trends towards a globalisation of solidarity. Most impressive of these is the increased access to information and the easing of communication.

The development of the Internet and of multilingual media and the relative decline in the cost of air travel all assist to bring people together, to create common goals, to exchange information and technology and to assist democratic involvement.

Corporations and World Production 1996

500 corporations employing 35 million workers produce \$11 000 billion

The Rest of the World involving 3,000 million workers produces a further \$14 000 billion.

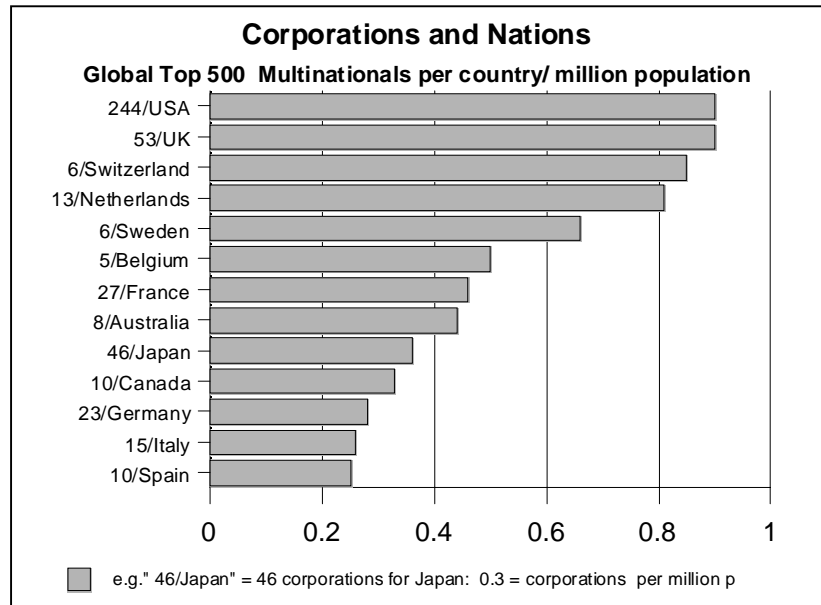
1 Mega-corp employee = \$371,000 of production

1 World worker = \$4,600 of production

Even the globalisation of finance and production could be seen as a contributor to positive development, if it resulted in the transfer of modern technologies to needy countries, coupled with enabling investment in local skills and resources.

But these means and processes have been highjacked by those promoting the globalisation of competition for private gain. Globalisation of this type argues that market forces must decide the destiny of the world’s peoples, that protective labour laws are a barrier and that investment must remain unfettered by social or humanitarian considerations. This is neo-liberal globalisation. Given that 95% of world direct investments is in the hands of mega-corps, that at least 70% of world trade is corporate controlled and that nearly half the world’s production comes from mega-corps (see box), neo-liberal globalisation embraces corporate power as its central concept.

The globalisation of competition does not allow citizens and countries to decide democratically which other countries they wish to support through trade or investment, or to decide democratically that they will not play host to a corporation guilty of abuse of human rights. The



globalisation of competition does not support the argument that trade, loans and investment should be used to achieve maximum social and economic improvement within a framework of social justice.

The globalisation of competition is the deadly enemy of the globalisation of solidarity.

Inter-State to Inter-Corporate

In the past, attempts at international co-operation resulted in the creation of inter-state organisations. Their purpose was to ensure that individual states lived up to a set of legal and moral responsibilities that were held as common norms by the international community of nations. These bodies drew their power from the assumption that private organisations and citizens of any nation would be bound by the agreements, rules and regulations to which their elected representatives were signatory.

So, ratification of the ILO conventions by member nations advanced the goals of social reformers and the World Bank and IMF were initiated to advance world development in the manner approved by the member states that funded them.

But in the mega-corp/mega-bank world of today, power has shifted from the state to the private sector. As a result, the international organisations have also shifted their focus towards serving the interests of the banks and corporations whose lobbying power has been exerted both directly and via the member states.

In 1998, the Anglo American Corporation (originating in South Africa but registered in London) purchased the previously state owned Zambian copper mines. 70% of Zambia's exports are copper, 23% of its national income is from copper.

The distribution of headquarters of the mega-corps is not equal amongst nations. The chart above shows the current headquarters locations of the top 500 global corporations. This situation means that there is a very uneven stake per economy in the so-called global economy. The wide variations between the number of corporations relative to size of economy and population impacts on the importance of exports, imports, employment and income distribution as income from abroad goes disproportionately to the higher-paid corporate crowd.

The matrix of corporate and potential national power makes comprehension of global governance impossible without understanding the importance of both elements and the points at which they interact. The efforts of unions, citizens' groups and other social organisations to influence the global agenda in the direction of solidarity must clearly distinguish the relative power of these forces if they are to achieve progress.

World Trade Organisation: Dispute Settlement between Corporations

The disguise of the corporation behind the state is most complete in the case of trade disputes. These are fought out by national governments acting on behalf of corporations. Market contests between the photographic filmmakers Kodak and Fuji or between the banana corporations Chiquita and Fyffes are represented as trade disputes between the USA and Japan or between Europe and the USA. In a rare moment of clarity, the EU Trade Commissioner, a former British Conservative Government minister and a known "free-trader", said of the banana dispute "the whole process is driven by politics in the United States. It is driven by the fact that Chiquita (the major US banana producer) gives money to the political parties...". State representatives may speak in solemn quasi-judicial proceedings of defending their national interests, but what is at stake is the market share of global corporations.

The WTO was, from the beginning, an institution captured by the corporations. It attached to its trade rules enforcement measures concerning international investments and patent rights (TRIPS and TRIMS) which are almost the 100% concern of corporations. The objective of this linkage was to be able to punish states with trade sanctions if they infringed corporate patents or tried to impose investment rules that the corporations did not want.

The focus of the WTO is as an enforcer of corporate rules upon national governments. It is this quality that has given it power in the role of arbitrator for inter-corporate disputes in the contest for market shares.

The attempt to introduce global controls over sovereign governments in the interests of easing the passage of international investments took a step too far in the case of the Multilateral Agreement on Investment (MAI). Such was the outcry from the emerging global civic society (with the notable absence of official labour from the mix) that the secretive backroom discussions were halted and the project put on hold for the time being. Arguments based on the need to agree rules to govern the rapidly expanding flow of cross-border capital took no account of the fact that the entities being controlled were not the investors, but the recipient states.

Defeat of the Global Social Policy Organisations

Some of the organisations of the world social economy have been specifically established to affect the conduct of global social policy. These were principally the specialised agencies of the UN, for example, ILO (labour and labour relations), FAO (food and agriculture), UNESCO (science and education), WHO (health), UNCTAD (trade and development) and UNEP (environment).

These agencies have been consistently undermined by mechanisms serving the corporate interest. Their importance as institutions of policy formation was specifically challenged by the World Bank, which is not a UN agency, but which has had cheap loans to dispense on behalf of those economies where corporate power is strongest. Together with the International Monetary Fund, the World Bank insisted that its funds would only be made available to needy governments on conditions that challenged liberal social policies espoused by the UN agencies. The social issues raised by FAO on food security, by UNESCO on global balance in information exchange, by UNCTAD on a new world economic order and by the ILO on employment and working conditions, were confronted by competitive policies promoted in exchange for cash.

The agencies were starved of funds and pressures brought to bear to reverse their policies: UNESCO initiatives were destroyed by media mega-corps; FAO programmes infiltrated by the agri-business mega-corps which had opposed its activities since the early 1970s; the WHO experienced enormous pressure from the pharmaceutical industry over its branded drug policies; the ILO employment programme switched to researching labour markets, small enterprises and flexibilisation as its previous Director General accepted the IMF "structural adjustment" package as the 10 year policy directive for the organisation. The UN Department of International Social and Economic Affairs was effectively closed and the UN Center for Transnational Corporations was disbanded because they produced information that the mega-corporations did not like. The UN was accused of overspending and important countries demanded sweeping reforms and refused to pay their fees. The UN budget, including those of all the specialised agencies, has for many years been around \$7 billion dollars, excluding only peacekeeping missions. This sum is about what a small country like Sweden spends on defence or about one 26th part of the annual revenues of the newest oil mega-corp. In global and corporate terms the UN budget is minuscule.

Even though these agencies have been undermined, they have until now escaped direct control. Given the under-funding of the UN system, infiltration by mega-corps may be all the more pernicious and effective. A move by the UN Secretary General to offer corporations the possibility of entering the UN system directly for a fee has raised concerns among a wide range of observers. The UNDP programme now offers direct integration of the mega-corps into "poverty alleviation programmes". In return for as little as \$50,000 a corporation can acquire a privileged inside position within the UN system, which may also be used in its "corporate image" publicity. Among the ICEM sector mega-corps that have already signed up for the UNDP "corporate" programme are Rio Tinto, Owens Corning, Novartis, Dow Chemical, BP/AMOCO, Royal Dutch Shell and Pfizer.

Who Controls the Organisations of Global Governance?

The two organisations that have taken a central role in promoting the dominant culture of the global economy are the World Bank and the International Monetary Fund (IMF). Both were constructed in the 1940s as inter-state organisations. From the outset they were structured as entirely non-democratic organisations. But, above all, these organisations did share with institutions of the UN system the controlling belief that it was internationally prohibited to interfere in the economic, social and political life of a sovereign nation.

The creators of the IMF could never have envisaged that within 30 years the organisation would be sending missions to over 80 countries to demand that they re-organise their economies, to warn them (as they did recently in Kenya) not to accede to wage claims, to forbid them to give subsidies to the poor or to instruct them how to undertake a land reform. The

Third World Debt (\$ billions)			
	1980	1987	1997
<i>Total debt</i>	573	1,290	2,171
<i>Interest (inc.arrears)</i>	48	85	128

Source: UN World Economic Survey 1998

power that the IMF possesses is based only on the threat that it can organise the withdrawal of the benefits of the global economy.

To this power was added the power of the debt collector as more and more countries faced the impossibility of repaying huge loans that had been thrust upon them during the profligate 1970's. The outstanding debt of the poorer countries to the banks and governments of the richer countries has never ceased to grow and now stands at over \$1,200 billion. The payment of the interest on that debt in 1997 cost \$125 billion. That was more than two times the total of development aid.

Controlling the IMF and World Bank (Both have similar voting systems)		
<i>5 Major Countries</i>	<i>Population 1996 (millions)</i>	<i>% Votes on Executive Board</i>
USA	269	17.8
Japan	125	5.4
Germany	82	5.4
France	58	4.9
UK	58	4.9
Total 5 Major Countries	592	38.4
Rest of World Total	6 billion	61.6

Ratio of votes = 6 to1: 6 per citizen for 5 Major Countries, 1 per citizen for Rest of World

Structural adjustment policies have been based on making the target economies more efficient in paying back the interest on this debt. Only some of the weaker economies in Africa have been unable to pay the debt and their cancellation and default has not amounted to more than 5% of the current total. Latin American countries have suffered the most and their populations have been most squeezed to pay the debt. A recent highly publicised event is the World Bank "initiative " to help the most indebted countries. In fact, this initiative is

directed at countries which will never be able to pay back their debt and it will, in any case, involve only \$10 billion - or no more than 120th part - of the total outstanding world debt (see box). The recent policies of the IMF in South East Asia and in Russia have had the aim of producing the same type of economies as in Latin America - paying upwards of 30% of their exports in debt, allowing unrestricted access to resources and investment in the industrial and banking sectors.

The nature of IMF and World Bank activities has finally begun to raise questions as to whose interests these organisations of global governance are serving. Certainly the longer-term implications of their actions are not in the national interests of their member states. IMF bailouts have underwritten losses for US and European banks at taxpayers' expense (Mexico, Thailand, Indonesia). The IMF has given support to the demands of the mega-corps for flexible labour markets (implying lower wage costs). It has campaigned for privileged entry for international banks to the national financial sectors of Mexico, Korea and Japan. It has demanded the cancellation of national programmes that have tried to impede the exports of indigenous raw materials used to pay off debt. In fact IMF policies have the character of a blank cheque passed to consortiums of mega-banks and corporations.

Despite the public perception of its dominant role, World Bank "disbursements" are less than 10% of the total financial flows to the Southern poorer countries. In any one year it dispenses less than \$25 billion in cheap loans. This compares, in recent years, with \$85 billion for the mega-corps in annual direct investment, \$92 billion in annual loans from the mega-banks and \$31 billion for stock purchases.

One of the principal tasks of the World Bank is to serve the structural adjustment programmes of the IMF and the mega-corps. Unlike mass advertising its publicity output is directed at the concerned public, academics and the employees of the \$50 billion aid industry. Its message, to use its own language (see box), is "finely textured" because it cannot address the real issues of social policy for the world citizenry. More recently there has been encouraging talk of reform and of past mistakes that has raised hopes that there is a change of heart. But that change of heart will come only when the global organisations are transformed and made accountable to the electorate through meaningful social participation in creating policies that serve the public rather than private interest.

"... it should be clear that the policy conclusions of the World Bank Report on Poverty and Development should be nuanced, finely textured, attuned to the management of economy, society and polity in real time, and reflect the detail of implementation experience across a range of institutions, mechanisms and policies."

From the World Bank's own suggestions for its next publication on "Poverty."

Translation: "Be careful and propose no changes!"

PART 2: GLOBAL UNIONISM: ENGAGING NEW SOLIDARITIES

Section 1: THE ICEM RESPONSE – A GLOBAL UNION

Introduction: The Direct Impact on Unions

The results of the globalisation of competition – increased unemployment, lower share of income, weaker social security and more exploitative work systems – have hit workers and their unions hard. But harder still has been the direct attack on the idea of collective action on which trade unions are based. Under intense lobbying from business and its media, governments of every shade have introduced legislation over the past two decades that has weakened union rights and practices. Secondary picketing in support of inter-union or inter-plant solidarity is widely outlawed, but industrial joint ventures, cross licensing and market segmentation are allowed to flourish under the law. Legal obstacles are placed in the path of union organising, while companies are free to force workers to accept individual contracts or lose their jobs.

The dispersal of work through “production chains” of informal and sub-contracted workers has increased the difficulty of making contact between workers in the same corporation. The spread of this production globally has split apart previous bargaining arrangements and undermined solidarity. Patterns of centralised national or industry negotiation have been broken down to the level of the individual company or even the individual work site, losing the strength of collective action at every step.

Continued mergers and take-overs of key corporations have meant that local managers frequently take their orders from owners who are as likely as not to be located in a quite different country. Traditional trade union structures, based on the workshop, regional and national levels are not well equipped to negotiate solutions with absentee owners. This factor too has diminished union bargaining strength.

“If labour wins, your way will be easy. The United States, and the whole world for that matter, will enter upon a new and tremendous era. Instead of being crushed by the machines, life will be made fairer, and happier, and nobler by them. You of the destroyed middle class, along with labour ... will participate in the equitable distribution of the products of the wonderful machines. And we, all of us, will make new and more wonderful machines. And there won't be any unconsumed surplus, because there won't be any profits.” “But suppose the trusts win this battle over the ownership and the world?” Mr. Kowalt asked. “Then”, Ernest answered, “you, and labour, and all of us, will be crushed under the iron heel of a despotism as relentless and terrible as any despotism that has blackened the pages of the history of men.”

Jack London, *'The Iron Heel'*, 1907.

Meanwhile, the sum result of these pressures has been a reduction in union membership, particularly in the advanced economies that have been the stronghold of trade union power. Thus the base of organised strength from which we must begin this task of reconstruction has narrowed alarmingly. There are at last welcome signs that membership numbers have stabilised in several countries as unions have given top priority to organising work. But it has become increasingly obvious that trade union survival in the global economy requires that we construct a new global unionism that reaches out to the corners of the modern multinational corporation and up to its global boardroom.

New Strategies: Building Global Industrial Relations

a) Engagement

For many years the international trade union federations have tracked the growth of the global corporations. Some have tried to build countervailing structures among member unions to confront their burgeoning power. Ironically, however, it has been the very forces generated by global business expansion that have brought ordinary trade union members and their national leaders to demand an appropriate response.

Global media show the ways in which events in one part of the world affect outcomes in another. Global communications help co-ordinate product flows between plants of the same worldwide company. The same technology gives workers easy access to facts via the Internet and facilitates contact with workers on the other side of the world.

The first step in building a global trade union response is to upgrade this level of communication between organised workers within the mega-corps of each sector. In addition to general studies, policy papers and resource documents – like the present paper – members are interested to know about strategies within their own sectors and companies that will affect them directly. Up-to-date news on the job effects of the company's investment plans or on the experience of other workers with new work and pay systems are sources of practical support in local negotiations.

For this reason, the ICEM has concentrated on starting networks between its affiliated unions in the same sectors and their members within the same companies. The regular exchange of strategic information links previously separate groups of workers and strengthens understanding of different trade union methods and traditions. It assists each group to prepare its negotiations within a wider context and lays a firm basis for solidarity.

The International will be better prepared by its networks to intervene directly with central management alongside and on behalf of its affiliates when an issue arises. Direct engagement with the employer by an international trade union federation acting together with its affiliates around the world can change the nature of bargaining with global corporations. Management must act in the knowledge that its workers are no longer isolated in national groupings but view the global operations of the company in their true light. The ICEM has already experienced several cases where joint engagements with central management of a company have given positive force to union negotiating power.

Based on the successful experience of joint international work in the Bridgestone/Firestone dispute, the United Steelworkers of America (USWA) President, George Becker, Chairman of the ICEM's Rubber Industry Section, initiated a network for the Goodyear group in 1999. An early task will be to develop a specific "engagement team" to negotiate at top corporate level in case of need. This pattern is being adopted in other ICEM networks too.

These initiatives could gain from closer co-ordination with the work of European member unions within the legally created European Works Councils (EWCs). The challenge is to increase the level of trade union organisation within the EWCs to effect a seamless strategy between different levels of operation – national, regional and global.

b) Corridors of Contact

Recognition of a trade union's validity as a representative negotiating partner is a hurdle in contacts with global concerns as it is in industrial relations at national level. With the end of the Cold War and the collapse of old trade union rivalries, ICEM membership has expanded to include the most representative unions from every major economy with the exception of China. As a result, it is able to bring together an impressive force of organised workers within a significant number of corporations in its sectors.

When a group of ICEM member unions met with management of the newly-merged BP/Amoco group in late 1998, union representatives at the table were able to speak on behalf of organised workers totalling over one third of the combined company's workforce on a world scale.

Despite the decline in union membership numbers over past decades, combination at the global level in a single union has an impact on management perception. No union, however weak, stands alone within an ICEM network. The group as a whole takes up its problems. Central company management must learn to cope not singly with more or less powerful national unions, but with the combined campaigning effect of unions from right around its global operations.

Several corporations within ICEM sectors of industry have already acknowledged the global nature of modern industrial relations. Titles of previous "Human Resources" directors have changed recently to "Global Staff Relations" directors. The emergence of the ICEM as a coherent global force representing significant numbers of their employees has encouraged certain companies to take the next logical step. Global corporations need global unions.

Following initial engagement over a variety of issues, "corridors of contact" have been opened with central management of some global companies. Problems that are intrinsically global (e.g. world-scale mergers and acquisitions, or environmental hazards), or those that are potentially damaging to the central corporation (e.g. illegal or outrageous conduct by a local subsidiary that threatens the corporate image), may be raised through these channels by the ICEM engagement team for discussion, clarification and negotiation. These relationships are built on existing contacts of key affiliates with the company but extended by combining those affiliates within the global engagement team. Shell International, BP/Amoco and even Rio Tinto during the depths of dispute have seen the value of maintaining such corridors of contact.

A promising dialogue has been established between the ICEM and the world chemical industry employers' association, the ICCA. A number of informal contact meetings resulted in an invitation to address the ICCA international executive committee. Following this meeting and co-operation within ILO sector discussions, it was agreed to establish an ICEM/ICCA working group to put teeth into the chemical industry's public initiative on "Responsible Care" by adopting a joint approach to standard-setting and training.

c) Global Agreements

At the time of writing, the ICEM has signed only one full global collective agreement – with the multinational oil and gas group, Statoil. However, discussions with several other companies are ongoing and it is likely that further agreements of a similar kind will be signed in the near future. A partial agreement has also been signed with a group of chlorine producers con-

cerning their attitude to trade union organising in their sector. Sister international, the IUF (food and agricultural workers), has also signed accords with two global employers on behalf of its members. The IFBWW (construction and woodworkers) and the IMF (metalworkers), have also made progress in this regard. It is clear that the global agreement is a coming reality of trade union relations with the mega-corps.

These agreements are not intended to over-ride or to substitute for national collective contracts. They may extend and reinforce the efforts of the ICEM's national affiliates to organise and to improve conditions within the company, however. The point of departure is the company's agreement to apply the ILO core labour conventions: on basic trade union rights to organise and to bargain collectively, against child labour, bonded or forced labour, on equality of opportunity and treatment in employment, on fair payment of wages and benefits according to good industry standards. The Statoil agreement goes beyond the ILO conventions to undertake that the company agrees "not to oppose efforts to unionise its employees". This neutrality aspect is taken for granted in many countries, but is of vital assistance in countries (such as the USA) where the law allows management to ride roughshod over workers' attempts to organise a union.

Companies signing such agreements are expected to apply the principles contained within them throughout their global operations, even where the local law does not require them to abide by such strict standards. The force of the agreement is derived from the ability of the ICEM affiliates organised within the company around the world to monitor its application in practice and to correct abuses. This, in turn, requires that trade union members in the company be trained in the terms of the agreement and in how to enforce it. The Statoil agreement contains specific language regarding joint training to achieve 'best practice' health, safety and environmental standards throughout the corporation. Violations may be taken up by ICEM affiliates individually or through the engagement team. An annual review meeting takes place to check progress and to discuss general questions relating to the company's industrial and financial performance.

The unions involved help to ensure that the company's global spread does not mean that it can lower operating around the world. Corporate management obtains a stable framework for its global employee relations and an early warning system in case of problems. It also gains from public approval of its ethical performance.

Section 2: NEW SOLIDARITIES AND COMMON OBJECTIVES

Campaigning in the Public Arena

One recent consultant survey of the performance of the 'Fortune 500' companies on the New York Stock Exchange concluded that up to 30 per cent of a company's stock value is dependent upon its public image. Key factors influencing that image include its record on environmental, human rights and consumer issues. Given the direct link between share value and top management reward noted above, it is evident that attention given to ethical issues is not only right morally, but is also in the self-interest of multinational managers. While not condoning business structures that put image before quality, this development can provide additional leverage against those wishing to ignore social aspects of business operation.

The mega-corps are coming under increasing pressure from a wide constellation of issue-based citizens' groups. NGO's such as Greenpeace, Amnesty International, Third World Network, women's groups, consumer associations and many others have begun to construct a global civic society around the global corporation. Much of the territory that these groups occupy was a part of the original trade union philosophy. The 'specialisation' of these groups is a reflection in part on the fact that trade unions have allowed themselves to be restricted to workplace 'bread and butter' issues and to leave wider social questions to others. Fragmentation of this kind allows those being criticised to divide the opposition and to set one group against another.

The NGO's have begun to learn this lesson of solidarity and have begun to group together over major issues. The most impressive example of this in action was the combined assault by a wide range of social groups upon the Multilateral Agreement on Investment (MAI), which resulted in its withdrawal from the globalisation agenda – at least for the time being. Most of the international trade union movement was notably absent from the alliance – separated by its own decision to push for a set of labour protection clauses within the body of the agreement, rather than to oppose the agreement itself.

It now seems certain that this debate will be revived within the World Trade Organisation (WTO). This will give a second opportunity to forge a stronger civic alliance that this time can include the trade unions. Most national governments recognise that the sheer scale of international investment calls for a response. The issue that will again confront emerging global civic society will be – can a coalition of mega-corps and neo-liberal politicians be allowed to punish individual governments through trade and other sanctions if they dare to use or to create legislation to protect their own economies from destabilisation by foreign investors.

The Reform of Global Governance

Many politicians who have maintained their silence throughout the decades of increasing indebtedness among developing countries and through the "structural adjustment programmes" of the IMF and World Bank, have at last begun to call for "overhauling the financial architecture" of the world economy. Whatever notions lie behind these calls, there is a clear message – "Things cannot continue as they are. Changes must be made."

Certainly the old systems have served workers very poorly, as the above discussion indicates. Structural adjustment policies have paved the way for free capital movement throughout the world. They have sought to restructure the indebted countries to yield long-term surpluses sufficient to repay interest on outstanding debt to the international financial commu-

nity. They have not advanced the level of social protection to the populations involved. Indeed, there is much evidence that they have worsened it considerably.

The international trade union movement, acting through the International Confederation of Free Trade Unions (ICFTU), has campaigned for reform of the policies of global governance. In general these calls have been focussed on the existing organisation and structure of global economic governance. These protests have had some effect. Recently some agencies have been forced at least to recognise that there have been severe social consequences to their economic prescriptions. But demands for more fundamental change are also being voiced by parts of the national and international labour movement, and are giving courage to increasing numbers of politicians to call for full structural reform of the inter-governmental organisations originally established under the post-war Bretton Woods agreements.

Demands for much greater transparency and democracy both within the intergovernmental finance organisations and within the global corporations themselves are being heard with increased insistence. The ICEM has been a part of the global opposition to the social irresponsibility of structural adjustment policies. It has developed clear demands for increasing democratic social control over the development process through legal and institutional change. It supports calls for fundamental reform and socialisation of the objectives of multilateral aid organisations. It engages them wherever their policies and programmes affect our members' interests in order to direct them towards sustainable social outcomes.

The ICEM also supports calls by the wider labour movement internationally to:

- pressure governments to increase democratic involvement and co-ordination at global level to deal with urgent economic and social problems;
- put in place multilateral controls over speculative financial flows;
- use taxation as an instrument on individual corporations and against speculative transactions in order to encourage expansive, productive investments;
- insist that national economic programmes and international regulations proposed and financed by international agencies (such as the IMF/World Bank/WTO/WIPO) are designed to increase employment-generating initiatives by local governments and companies;
- create an effective monitoring and enforcement mechanism for minimum labour standards within all appropriate international agreements.

The Reform of Corporate Governance

Organised labour has an important and direct role to play in bringing the corporation back to society. Those who control companies have become increasingly remote from the process of production over recent decades. Power has shifted from the entrepreneur boss, the inventor and the industrialist to banks, financiers and directors who are largely unknown to the workers who toil in the factories that they command.

At the same time as insisting on democratic control over the mega-corps through inter-governmental agencies at the global level, it is important to look again at how the corporation is governed from within. The broader social interest is usually best served by investment decisions based on the longer-term view and by investors firmly rooted within their community or country of origin. Supplements to this investment entering from outside should likewise be required to conform to the longer-term interests of the community. The danger posed by globalisation springs primarily from its tendency to encourage unstable, flighty investments that switch their allegiance from country to country according to their own criteria of advantage.

The best way to ensure that investment stays loyal to its roots is to give a solid stake in the company to the workers and the community who have invested their lives and the infrastructure of their town to its maintenance. A new power relationship needs to be built within the company. Real decision-making power, reinforced by legal ownership rights, needs to be vested in the workers of the undertaking and in the communities within which they operate. Countries that already have such laws have a better record of capital stability than others. However, these laws and advantages, achieved historically at the national level, are now under pressure from the force of globalisation and will need a strong defence. The rate of foreign direct investment into the industrialised economies rose by almost 70 per cent during 1998, fuelled by a surge in cross-border mergers and take-overs. The diluting effect of this influx has already begun to change the culture and practice of industrial relations in many sectors. Trade unions need to reopen discussion at the public level on effective systems of industrial democracy to counter the anti-social effects of current investment patterns.

We need to recapture the moral high ground with claims that those who are employed and who live around the plant should have their natural rights protected at least as thoroughly as those who are only owners of property. Workers should be recognised as those who have made the most personal investment in the undertaking. Their years of labour have established a natural right of “work equity” within the company that is more fundamental and more valid than the interest of those who have only a passing relationship to the value of its shares. The local community that has provided infrastructure and support services to the factory has also made an equally valid investment in the future of the undertaking. Labour needs to campaign for recognition of these rights under the law. For example, before companies are allowed to close a plant, to merge it or to sell it, why should workers and the local community not have a recognised legal right of first option to buy it at preferential rates? Why should bankruptcy laws put workers and the community at the end of the queue for compensation rather than first?

More needs to be done by unions to enforce controls over pension funds that are the real property of workers. Too often such funds are controlled by faceless managers – or even by the company management itself. Cases where workers’ pensions have been taken as part of the company’s capital assets and handed on to a new buyer, without consultation with their real owners and even without guarantees that they will be maintained, are all too common.

“Ownership, to be meaningful, cannot be separated from control. To the extent that the workforce challenges entrepreneurial decision, beginning a shift from autocracy to democracy in the plant, so it prepares the workers themselves to assume the responsibility for entrepreneurial decisions.”

Walter Kendall, ‘The Labour Movement in Europe’, 1975

Direct voting control over pension assets could add leverage to workers’ demands for greater transparency and democracy within the corporation.

All these initiatives to re-establish the eroded position of labour in the general policy framework will undoubtedly face an uphill struggle. Governments – even those with links to labour - have largely capitulated to the prevailing market ideology in the face of international competition for investment. As has already been indicated, social budgets have been cut and taxation reduced. Any attempt to argue for a new social agenda will need to be backed by more than rhetoric.

Section 3: RESTRUCTURING FOR EFFECTIVENESS

Reinforcing International Labour Policy

To bring together these separate strands of policy requires a broader strategy that can reinforce initiatives at the level of the corporation by applicable legal measures. The absence of international law in areas of social affairs, while the corporate agenda moves forward to constrain national governments on financial issues needs to be addressed urgently.

The ILO 'core conventions' – regarding freedom to organise and to bargain collectively, the elimination of forced labour, of child labour and of discrimination at work – do represent the best efforts to date to develop a body of regulation dealing with social relations at work and applicable internationally. Agreed over the years in negotiation between government, employer and labour representatives, these conventions represent 'quasi law' that relies solely on the force of moral judgement for their effectiveness. They are not supported by any enforcement other than the weight of public opinion and they are not ratified by a majority of the world's governments (including some of the most advanced economies). The essentially amoral nature of corporate policy-making, based on the 'business is business' principle, has meant that the impact of these standards within globally operating companies has been piecemeal at best.

The embedding of the core ILO standards within individual company/union agreements at the global level is therefore of major importance. As the number and scope of these global agreements increases, so the validity of the core standards themselves is strengthened. The settlement of specific cases that arise under the global agreements will, in time, also add an effective practical overlay to the core standards, extending their applicability from governments to corporations and interpreting their application in industrial practice. This can support the weak volition of national governments to reinforce social standards in defiance of the prevailing free market ideology. It can also drive the national acceptance of these standards within legislation by extending corporate social principles to smaller contractors and suppliers.

"The respect of human rights includes:

- the right of every employee to be represented by a union of his or her own choice and the basic trade union rights as defined by ILO Conventions 87 and 98. Statoil therefore agrees not to oppose efforts to unionise its employees*
- to employ no forced or bonded labour as proscribed in the ILO Conventions 29 and 105*
- to employ no child labour as proscribed by ILO Convention 138*
- to exercise equality of opportunity and treatment in employment as required by ILO Conventions 100 and 111*
- to pay fair wages and benefits according to good industry standards in the country concerned*
- to provide a safe work environment, deploying common 'best practice' standards"*

Agreement between NOPEF/ICEM and Statoil,
7 July 1998, Copenhagen

The monitoring and enforcement of each global agreement is the task of the unions involved. It is their job to build the necessary networks inside the company and to train representatives to apply the agreed principles at the place of work. It is a job too important to leave

to external agencies. Even so, disputes will inevitably arise within the terms of these contracts and will need resolution without endangering the whole basis of the agreement itself. Although the tripartite nature of the ILO will not permit it to act as an international arbitration service, its role could extend to establishing an “arm’s length” International Industrial Court that can conciliate - and eventually rule upon - individual issues arising under the new corporate global agreements. An advance on this front would greatly assist the formation of a new global industrial relations perspective.

Fit for the Struggle

Just as communism did not deliver freedom, so raw capitalism has not delivered social justice. The search for a system based on social values that can combine useful labour with just reward is not over yet. Workers and their unions are the repository of these values and any successful approach will need to secure their involvement and support.

This also requires an effort on the part of trade unions to upgrade their ability to respond to the challenge. Structures developed from the struggles around industrialisation in the 19th century will not serve in the 21st century economy driven by finance. Restructuring is essential to sustain effectiveness and to gain ground for the message of organised labour.

“...however weak and imperfect in respect of organisation the ITS's may be, however little international, nonetheless the development of capitalism will compel them to take up the task that is incumbent on them, unless the proletariat is to lapse internationally into a condition of more hopeless dependence and enslavement than that of the working class in its national subdivisions today.”

Edo Fimmen (first post-war Secretary of the IFTU and General Secretary of the ITF from 1919 until 1942) in *'Labour's Alternative: the United States of Europe or Europe Limited'*, 1924.

A thorough review is underway within and between the international trade union federations and the ICFTU as to how this restructuring can best be achieved without creating unnecessary bureaucracy. The ICEM itself is a product of merger and other mergers are taking place among ITS's. The latest is a combination of the FIET (banking, insurance and commercial employees), CI (post and telecommunications workers), MEI (media and entertainment workers) and IGF (graphical and printing workers), to create a conglomerate Union Network International (UNI). Other industrial federations are eyeing merger prospects. However, the clear dangers of loss of identity and overwhelming weight of bureaucracy are aspects leading to wariness among others. A looser grouping of sectors around a core of common services (for administration, printing, translation, research, training, etc) is an alternative attracting much interest.

The most effective reorganisation of top level structures is worthless, however, without an increase in effective membership at the base. The greatest challenge to trade union advance over the coming period remains the need to organise and to develop workers in our sectors into strong and effective unions. The decline of membership has been slowed and even turned around in several key countries, but remains well below what is needed to underpin the breakthroughs already discussed. The strength of numbers allied to a coherent strategy is still the powerful combination that can impress the hardest employer with the need to negotiate.

Priority must be given to supporting organising at local union level:

- by obtaining more 'neutrality' agreements from companies and sectoral employer associations that give freedom from harassment to local organisers;
- by exchanging information on new investments and company strategies towards unions in receiving countries;
- by reinforcing national bargaining committees with advisers from other plants of major global companies in other countries;
- by integrating regional structures and agendas with both national and global efforts;
- by realising the potential for organising women workers and ensuring equality of access within the international;
- by targeting union development work effectively at building union strength on the ground.

An ICEM organised from its base in the factories, through its national affiliates and its regional structures up to the level of its interface with the global corporation can achieve the goals it sets for its future and the future of the labour movement.

Vic Thorpe
June 1999
ICEM, Brussels

Written in association with
Professor Jeffrey HARROD
Amsterdam University.