

PART ONE:

Globalization and the Situation of Workers Worldwide

1. What is globalization?

Globalization is the process by which countries and peoples are brought closer to one another. In this process, people from different nations learn about each other's situation: their language, food, clothes, customs and traditions, culture and arts, technologies, working and living conditions, economic set-up and ways of governance.

Learning happens when people travel to and visit each other's nations. Today, with the advancement in telecommunications and information technology, people need not even travel anymore to learn about each other's lives. They can now use the telephone, the computer and the internet. Or, they can just watch television shows and movies.

Learning always entails "interdependence". When people learn about each other they are then able to use such learnings for their benefit and thereby "become dependent on one another". Globalization, thus, is about the interdependence of peoples from across different parts of the globe.

People all over the world have been interdependent for a long time. The process where people from different nations make exchanges with one another is not necessarily

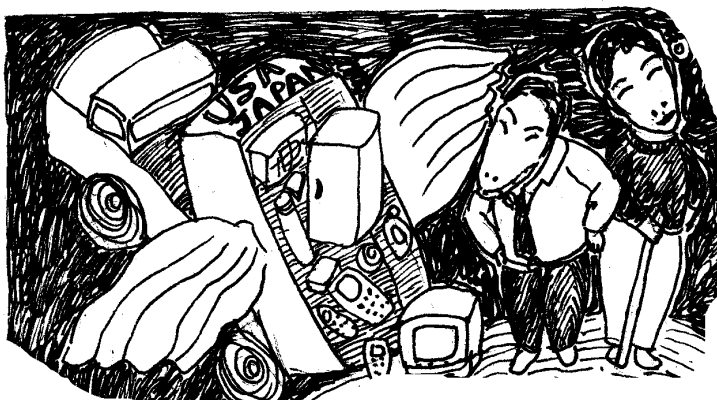
new. History is full of instances where people from different nations exchange knowledge or resources with each other. What is new, perhaps, is the speed and ease by which globalization can now take place.

In a way, globalization is inevitable or made certain because interdependence is unavoidable. Now, we do not need to learn or seek help from just our neighbor next door. We can now seek out even people whom we do not see everyday because they live in far-away countries.

What is not inevitable, however, are the negative uses of globalization that lead to conflicts and inequality. It is a good thing, for instance, for countries to trade or exchange products with one another. Global trade only becomes a problem when such exchange is made to benefit only a few people and thereby cause poverty for and oppression of many others.

This is the kind of globalization that is happening today. It is no longer about the interdependence that takes place when people learn from and cooperate with each other. Rather, globalization is now being used as a tool by a few groups to utilize and profit from the human, natural and material wealth of nations.

Unfortunately, the meaning of globalization has been reduced to that of the process by which world trade and finance capital operates. It has been limited to mean the rapid integration of world economies. Consequently, instead of bringing people of different nations closer to one another, globalization has merely divided "the people of this world" into "the very rich" and "the very poor".



2. What is “neo”-liberal globalization?

Neo-liberal globalization is a kind of globalization that takes root in neo-liberalism.

Neo-liberalism is a philosophy that believes in the “free market”; that markets are far better than governments when it comes to the usage and allocation of limited resources. It has guided a set of economic policies that have become widespread across the globe in the last thirty years. Fundamentally, these economic policies support “free market capitalism”.

“Neo” means “new”. The “old” kind of liberalism refers to a whole body of thinking spanning philosophy, politics, and economics. Liberalism in economics refers to the school of thought developed by Adam Smith, a British economist. In 1776, Smith published a book titled “The Wealth of Nations” and asserted that the best way for an economy to prosper was for government to abolish its control on the economy. Thus the term “free market”. Such idea meant that capitalists were free to make profits in whatever way they wished and that governments should not stand in the way of business. Liberalism, after all, means “freedom from control”

and the free market idea basically means “free competition” of businesses without the control of governments. Furthermore, economic growth, this theory says, is supposed to “trickle down” to the rest of the people.

This idea of the free market prevailed worldwide in the 1800s and early 1900s. The “trickling effect” of free market capitalism, however, did not take place. Instead, majority of people suffered severe poverty.

Moreover, in 1930, a “great depression” or grave economic crisis took place particularly in the United States. An economist named John Maynard Keynes then concluded that the free market idea was not working. He proposed instead that the best policy for capitalism was for government to step in, particularly to ensure employment. Employment, Keynes believed, was necessary for the capitalist system to grow because jobs meant people had the money to buy goods and services. This kind of thinking — having government regulate the economy — is the essence of the “Keynesian theory of economics”.

However, in the 1970s, capitalism again experienced crisis. Corporate profits were greatly reduced and economies around the world became unstable. This experience again made people challenge the “Keynesian theory”. This time, the corporate elite asserted that economic crisis in fact occurs when governments intervene. The task they said was to “revive” economic liberalism. Thus the term “neo” or “new” liberalism.

Neo-liberal globalization was born out of the need of capitalists to restructure the world economy to recover from profit losses. This was seen as “a new business strategy” that covered the following components:

a) new markets

Because there are lesser controls on the flow of money and goods, corporations can roam the world for lesser costs and greater profits. The entire world, and not just parts of it, can now be a market where products and services can be sold.

In a world “wired” from end to end, a 24-hour financial market has been created and this has allowed trillions of dollars trillion to exchange hands everyday.

b) new tools

To increase profits, businesses have to be more efficient. In neo-liberal globalization, corporations have to avail of modern and more efficient technologies particularly in telecommunications and transportation. There are now easier ways to transact business and to transport goods and profits.

c) new players

Corporations need not be just “one corporation in one nation” but instead become “transnational corporations” or TNCs. Economic power holders in neo-liberal globalization now transcend national borders. National governments are now subsumed in global or regional trading blocs such as the World Trade Organization (WTO).

d) new rules

International trade agreements between countries are now replaced by “multi-lateral” agreements. These means rules are now uniform across the globe and national governments would have to abide by these rules regardless of their particular national needs or capacities.

3. What are the main economic policies of neo-liberal globalization?

a) trade and capital liberalization

“Liberating” or “freeing” enterprises meant that there should be no controls on trade or capital investment. In neo-liberal globalization, barriers on free trade such as tariffs (i.e. taxes on imported goods), quotas (i.e. amount or quantity of a certain product that can be imported), and other non-tariff barriers (quality of the products, sanitary regulations) are eliminated. This is meant primarily to encourage foreign investment.

Obstacles on the flow of capital or money are also targets of neo-liberal globalization. Capital liberalization makes it easier for companies to take their profits out of one country and invest elsewhere. Necessarily, this also means the liberalization of financial institutions such as banks and lending groups.

b) Deregulation

To “de”-regulate means to “un”-regulate. Deregulation usually refers to a range of economic measures that a government uses to reduce its role as provider of services and promoter of social welfare. These measures include:

- Removal of subsidies. With such removal, government services like housing projects are no longer free or subsidized and could in fact cost more. Instead of benefiting from social services, people then become burdened from the high costs of these services.
- Removal of price controls. A government can impose price controls particularly on prime commodities such as food. Businesses therefore cannot go beyond these prices. In de-

regulation, government chooses to remove this option and instead allows the “law of supply and demand” to determine prices. It does not matter to these governments that workers can no longer afford to pay for their basic needs.

- Reduction of direct taxes. Through deregulation, taxes on income and profits are reduced. This is meant to serve as incentives for businesses thinking that what business can save will go back to the economy in the form of more economic activities. Most businesses, however, do not invest back into the same economies and profits are not usually redistributed to a majority of people.

- Removal of state regulation on business. To facilitate business and thereby economic growth, governments remove legal restrictions that regulate business transactions. Again, this is meant to encourage investment. Unfortunately, this has also meant the removal of laws that protect wages, working conditions and the environment.

c) Privatization

Privatization means the “selling of government-owned-and-managed corporations”. These government corporations usually refer to public services and utilities such as energy, transportation, telecommunications and water services. By “privatizing” these, government is saying that the “private sector” (i.e. the business sector) can do a better job at management and thereby make these social services more available and affordable.

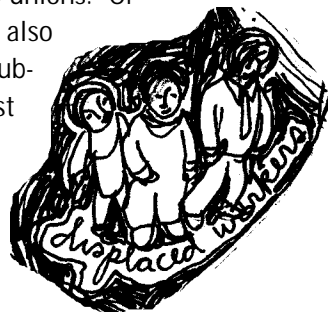
What government fails to see, however, is the fact that the private sector is motivated by profit not public service. As a result, privatized social services cease to be “services” and simply become “businesses”. Sadly, most governments prefer privatization because of the profits it can make from the sale of corporations. Moreover, when service delivery fails, government now has the private sector to blame.

Privatization can also mean “privatizing government work”. In recent times, governments have resorted to “outsourcing” and “subcontracting” parts of its work. In most cases, the new private owners do not absorb the workers of privatized enterprises causing terrible dislocation in the public sector.

d) restructuring of production and services

In the intense global competition brought about by neo-liberal globalization, factories with a clear assembly line and a multitude of workers are no longer considered as model enterprises. The modern way of doing business goes beyond physical structures and clear employee-employer relationships. Because transfer of production is allowed and even promoted under neo-liberal globalization, most companies do not attach themselves to any one particular place. They create businesses in places — any place — where they think they can reduce costs. Hence, most businesses end up in less developed countries where production and operational costs are clearly lesser than in developed nations.

Labor-intensive businesses are not also encouraged. Corporations will not think twice about replacing human and manual labor with technological equipment or devices that provide the same work. Corporations also prefer to keep a “lean- and-mean” labor force as this would mean less possibility of workers organizing into unions. Of course, keeping labor flexible also means lowering labor costs. Subcontracting is preferred by most companies, for instance, basically because temporary work does not entail high or regular pay. Companies need not bother about working conditions as well.



4. What made neo-liberal globalization possible?

As mentioned earlier, neo-liberal globalization was fundamentally motivated by the crisis of capitalism. Concretely, in the 1970s, corporations were faced with at least two major problems that led them to the path of neo-liberal globalization: (i) overproduction — there were more goods than there were buyers and markets; and (ii) over-accumulation of capital — corporations had made too much profit that they no longer knew where to invest in.

Aside from this crisis of capitalism, the following factors have made neo-liberal globalization possible:

a) **Technological revolution in information technology, communications and transportation**

We are now in the “information age” where information has become the most powerful of economic power. Corporations who hold the most knowledge come out more profitable and successful and information management has become a most valuable business tool.

In searching for markets and lower production costs, for instance, a corporation will only need a computer. Through the computer internet, a corporation can learn practically anything. It can learn, for instance, in which country workers are paid the least or which governments are friendlier to business interests. This kind of information can then facilitate easy and speedy corporate decision making.

Because of technological advancement, financial transactions are also made easier. There is now on-line banking where funds are transferred merely through the use of computers. Even travel arrangements can now be made through

the internet. Almost all aspects of corporate life can now be enhanced through information technology.

Information technology and other modern technologies, infact, have become industries by themselves. Consequently, these technologies are not made available or affordable to everyone. Only big corporations have the capacity to buy these technologies and use them for further profit.

b) Structural adjustment programs (SAPs) of the international financial institutions (IFIs)

International financial institutions are basically international lending institutions such as the International Monetary Fund (IMF), the World Bank (WB) and the Asian Development Bank (ADB). These institutions lend funds to nations supposedly to help them economically. What these institutions actually do, however, is to lend funds so nations can participate in world trade. The IMF and WB, for instance, may support nations with economic aid or loans but there are always “strings” or “conditionalities” attached. These “strings” are usually called “structural adjustment programs (SAPs), simply another name for all the basic economic policies that neo-liberal globalization stands for such as privatization, deregulation, higher interest rates, lower government spending. Support is not given or withdrawn once nations refuse to hold on to these strings.

c) Creation of the GATT and the WTO

The General Agreement on Tariff and Trade (GATT) was first formulated in 1947 to serve as guidelines for international trade intended to avoid trade wars such as those that led to World Wars I and II. It was only in 1994, during the Uruguay Round of the GATT, however, that the agreement was broadened in scope to include agriculture, services and

intellectual property. It was also through the Uruguay Round that the World Trade Organization (WTO) was created (in 1995) to enforce GATT rules.

All of the GATT rules were meant to facilitate and promote neo-liberal globalization. Some of these rules are:

- ▣ removal of import tariffs (especially on textiles and agricultural products)
- ▣ removal of restrictions on currency mobilization (i.e. moving money from one country to another) and
- ▣ ensuring that intellectual property rights (IPR) are recognized and that patents and royalties are paid accordingly

d) Creation of Regional Trading Blocs

Regional trading blocs involves the bonding of national economies in a particular region or continent such as North America, Asia, Europe to further economic relations. Thus there is NAFTA, AFTA, APEC, etc. The assumption here is that nations of the same region can cooperate better because of sheer proximity. All these blocs, however, operate under the rules of neo-liberal globalization and abide by WTO guidelines.

e) Ascendancy of Neo-liberal thinking

Clearly, the ongoing restructuring of the world economy signifies that neo-liberal thinking is now widely accepted. It has, in fact, become the dominant “world ideology” which most governments follow in making political and economic decisions.

Just a few decades ago, there was another option and another ideology — socialism — which basically called for

more economic democracy as against free market capitalism. With the collapse of the Soviet Union, however, which was the leading experiment in state socialism, came the dominance of neo-liberalism. People, especially governments all over the world began believing that there was no other way to growth and development except capitalism. This kind of thinking allowed neo-liberal globalization to take root and flourish up to this day. It has led to the concept of "TINA: There is no alternative" — to free market capitalism and free trade.

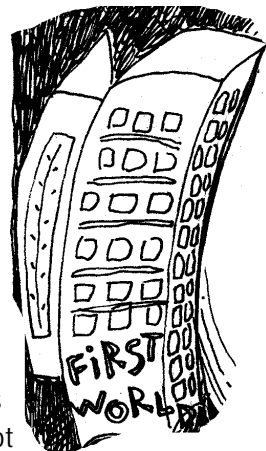
5. Who are the major players in neo-liberal globalization?

a) Transnational corporations (TNCs)

TNCs can be considered the "driving force" behind neo-liberal globalization. These big corporations uphold and actually enjoy all the policies of the new world economic order. They are able to search the globe and actually place investments where production costs are lowest and profits are highest.

TNCs maintain "affiliates" or wholly owned subsidiaries in other countries other than in the country of their "parent company". They are not new but have increased in number, wealth and power in the period since World War II. The top 100 of these TNCs are in electronics and electrical equipment, automobiles, petroleum, chemicals and pharmaceuticals.

TNCs control two-thirds of global trade in goods and services. This means that only one-third of world trade is not



directly controlled by TNCs and not subject to their dictates particularly in transfer pricing and other monopoly practices. Because of neo-liberal globalization, TNCs can now bypass policies of national governments.

b) International financial institutions (IFIs)

As already mentioned, IFIs are lending institutions which facilitate the mobilization of much needed funds for global trade to take place. The leading IFIs are the IMF and the WB, both of which are membership organizations of about 170 nations each. These nations pay subscription fees for such membership. The higher the fee, the greater the voting power. In the mid-1990s, the IMF's six largest subscribers were: the United States, the United Kingdom, Germany, Japan, France, and Saudi Arabia. Not surprisingly, all these nations are highly developed ones and constitute at least 43% of subscriptions to IMF.

The IMF's main role is to lend money to debt-ridden countries. It gives out money so that these countries are able to pay their debts. In turn, however, these countries are expected to restructure their economies in accordance to the rules of free market capitalism.

In the same manner, the World Bank provides long-term loans to countries. These loans are meant to support development projects provided these projects do not go against the policies of neo-liberal globalization.

In Asia, the World Bank's counterpart is the Asian Development Bank (ADB).

c) World Trade Organization (WTO)

The WTO is the enforcer of multi-lateral (i.e multi-na-

tional) trade agreements such as the GATT agreement. It was created in 1995 to ensure that all agreements are implemented. It also has the power to impose sanctions on nations who violate said agreements. In this sense, the WTO is perhaps the most powerful of all international trade bodies.



The WTO is composed of 130 countries and makes decisions through consensus among its member countries. Such consensus-building mode, however, can not be considered as genuinely democratic because the more developed, richer countries obviously have dominance over world trade. Less developed countries are highly dependent on these richer countries and therefore do not have the power to challenge them even when necessary.

d) Regional Blocs

Regional blocs include the European Union (E.U), the North American Free Trade Agreement (NAFTA which includes the U.S, Mexico and Canada), and the Asian Pacific Economic Cooperation (APEC which includes Japan).

More than anything else, these regional blocs allow the richer countries within the region to dominate regional trade and how the region will participate in the global economy.

e) Governments

Although neo-liberal globalization requires governments to loosen or remove controls on free market capital-

ism, it first required that these governments create above-mentioned multi-lateral agreements and trading blocs. Governments, to a large measure, provided the new world economic order its mandate which in turn allowed the neo-liberal ideology to achieve dominance.

Governments facilitate the restructuring of global production by instituting reforms in their labor laws to allow more flexibility for the capitalists in hiring and firing workers. In their yearning to attract investors, governments have facilitated the creation of Export Processing Zones around the world where TNCs and its affiliates can operate with a lot of incentives (usually in the form of tax breaks) and free from union organizing.

Governments, therefore, are the protectors of TNC investments. They would not hesitate use their coercive forces to crush worker's resistance for the sake of these investments.

f) Global Media

Global media pertains to tri-media (broadcast, radio, print) outfits whose coverage are not limited to national or local news. These networks such as CNN and BBC enable people to get news about political, social, economic and cultural happenings in other countries even at the very moment that these incidents are taking place.

What is being shown on television screens or newspapers, however, are not only news but analyses as well. Global media, therefore, becomes instrumental in shaping the opinions of the global public. They are important in that they can either shape these opinions in support of or in opposition to neo-liberal globalization.

6. Who actually benefits from neo-liberal globalization?

a) Transnational corporations

The combined assets of the top 300 TNCs equal at least a fourth of all the productive assets of the world. Clearly, TNCs come out the biggest winner in neo-liberal globalization. In many instances, in fact, TNCs earn more than a single or number of national economies combined. Recent studies have shown that the top 200 TNCs' combined sales are bigger than the combined economies of all countries (excluding of course, the 8 biggest economies). Their incomes have surpassed the combined economies of 182 countries. In fact, of the 100 largest economies in the world, 51 are now global corporations; only 49 are countries.

Today, there are 63,000 TNCs with around 690,000 foreign affiliates that span virtually all countries and economic activities. Most of the growth in international production has been done via cross-border merger and acquisitions (M&As) rather than greenfield production. Privatization has been the main vehicle for such M&As.

TNCs also invest heavily on research development and have created several new products over the years. In the Uruguay Round of the GATT negotiations, TNCs strongly lobbied for the inclusion of the Trade Related Intellectual Property Rights (TRIPs). Such provision assures them of monopoly even in the area of product and technological development.

b) Developed countries

TNCs usually have developed countries as their "country of origin". Of the top 200 TNCs in the world today, at least 172 have their "world headquarters" in the United States,

Germany, United Kingdom, France or Japan. Consequently, if profits were to “trickle”, it would do so most likely only in these developed countries.

More importantly, these countries and their economies were already developed or at least way ahead of other countries even before the onslaught of neo-liberal globalization began. They are best positioned, therefore, to compete in world trade. They are also best placed to influence international institutions such as the WTO and the IFIs.

7. What are the effects of neo-liberal globalization on workers?

In general, intense global competition has led to new patterns of employment that has caused the displacement of millions of workers. Corporations now adopt lean production methods where only the “fittest” survive. Indeed, neo-liberal globalization has created a worldwide unemployment problem that has reached crisis proportions.

a) it destroys jobs

The combined global employment of all TNCs is only 18.8 million. This is less than a third of one-hundredth of one percent of the world's population of six (6) billion people. It has always been to the advantage of TNCs to cut the number of their workforces and keep them flexible.

All over the world workers are losing jobs. Instead of increasing jobs, neo-liberal globalization has increased the number of workers participating in the informal economy (i.e. unprotected and irregular jobs): 32.8% in Asia, 80% in Latin America and 93% in Africa.

b) It destroys workers' communities and families

Because jobs are few, workers have fewer options and will tend to take any job that come their way. Migration is now a major phenomenon and more and more workers have become mobile. In desperation, they take on work even if this means leaving their communities and their families.

The migration phenomenon is upsetting not only the social fabric of the "sending country" but also that of the "host country". With unemployment increasing even in the host countries, local workers tend to blame their miseries on migrant workers. Once again, racism is emerging and becoming a serious and dangerous threat.



c) It causes more poverty for workers and increases the gap between the rich and the poor

Huge profits usually entail low labor costs. In many countries, cheap labor is infact made a comparative advantage. As a result, majority of workers live below the poverty line.

Neo-liberal globalization has widened the gap between the rich and the poor within countries:

- as of 1997, the income gap between the fifth of world's people living in the richest countries and the fifth in the poorest countries was 74:1;
- the world's 200 richest people more than doubled their net worth to more than \$US 1 trillion while 1.3 billion people all over the globe are struggling to survive on

- less than \$US 1 per day
- the assets of more than 3 billionaires are more than the combined Growth National Product (GNP) of all the least developed countries and their 600 million people.
- The richest 1% of the world's people receive as much income as the poorest 57%
- In East Asia and the Pacific there are 280 million people living on less than \$1 a day.
- The combined assets of the 50 richest people in the world are bigger than the combined GNP of all countries in South Asia
- The net worth of the world's top 2 richest people is bigger than the GNP of the Philippines in 1999.

8. What are the effects of neo-liberal globalization on trade unions?

a) It undermines workers' solidarity

Under neo-liberal globalization, workers are made to "outbid" each other. Workers in developed countries are losing their jobs to workers in un-developed countries who are willing to work for less wages and unprotected working conditions. And the ratio of this transfer is not necessarily 1:1. Work transferred is further segmentized to allow for more flexible labor. Thus, workers in undeveloped countries do not benefit from job transfers as well.

With the new business strategy of "core-periphery pattern of hiring", workers are divided into (i) skilled and professional staff; (ii) semi-skilled and unskilled. Corporations then keep only the former as its regular workforce.

b) It makes organizing more difficult

Because labor flexibility is now the practice of most businesses, workforces have been greatly reduced in number and thus more difficult to organize. With several divisions among them at the plant as well as the industry level, unions now have less bargaining power.

To make matters worse, capitalists have started using sophisticated human resource development (HRD) techniques to co-opt the hearts and minds of workers. While a lot of companies still use shameless union busting techniques (emboldened no doubt by capital's global dominance), some corporations are now using "conciliatory modes of management". Instead of dealing with unions, these corporations aim to present a semblance of trust and cooperation between them and their workers. Workers' interests are considered no different from those of their employers. In effect, trade unionism is rendered unnecessary and useless.

It is no wonder then that neo-liberal globalization has been described as an "attack" not just on workers but on unions as well.

9. What are the other negative effects of neo-liberal globalization?**a) It destroys economies**

In neo-liberal globalization, world trade dictates economic activities of nations instead of the other way around. National needs are no longer considered priorities, much less the needs of workers and citizens. Economic policies are usually tailored to fit needs of other countries. National industries are directed toward "international competitiveness" and not toward self-sufficiency or national stability and prosperity.

b) It destroys democracies

TNCs are rendering governments and national sovereignty useless particularly where economic policies are concerned. Multi-lateral institutions such as the WTO and IFIs such as the IMF are now also over-powering governments.

Above-mentioned institutions are not elected by citizens. They are selected only by the corporate elite or the leaders of developed countries. In effect, a few unknown, un-elected individuals are running the world's economy. Ordinary citizens and workers are not able to hold them accountable.

c) It destroys indigenous cultures

Transnational corporations dictate the "wants" and "needs" of people. They sell not just goods but certain lifestyles meant to be superior over local and indigenous cultures.

Neo-liberal globalization promotes at least two cultures: (i) the culture of high-consumerism and (ii) the culture of individualism. In these cultures, one has to want and have more, for oneself. It is said that "Mcdonaldization" of culture is now taking place the world over.

d) It destroys the environment

WTO rules do not necessarily consider environmental protection in trade relations. These rules are designed so that TNCs can search for and choose countries with the weakest environmental standards. Consequently, ecosystems of nations are



destroyed. The whole world's environment is in fact in danger. In neo-liberal globalization, environmental protection is seen as another barrier to free trade. Corporations worry more about production costs than "global warming" which they cause because most of them emit carbon dioxide that has negative effects on the world's climate.

Moreover, GATT is now considering the "patenting of life forms" and we may yet see the horrors of " Frankenfoods" or genetically modified organisms. In so many ways, neo-liberal globalization is not only using up but distorting whatever is natural in our world.

10. Is neo-liberal globalization reversible?

YES, neo-globalization can be reversed.

Supporters of globalization say that stopping globalization is like "stopping the rotation of the earth" because it is impossible to stop technological advancement. We all need to remember, however, that neo-liberal globalization and all its components were created by us, humans. Changing its course, therefore, is also within human capacity. It is difficult task but not an impossible one.

The more important point, perhaps, is that neo-liberal globalization **MUST BE REVERSED**. For the sake of the majority of our people. For the sake of future generations. And for the sake of mother earth.

