

LABOUR RELATIONS 1975

ASSOCIATE PROFESSOR D.C. THOMSON
SYDNEY UNIVERSITY LAW SCHOOL

THE MULTINATIONAL FIRM IN THE PACIFIC BASIN:
PERSPECTIVES FOR FUTURE INDUSTRIAL
RELATIONS LAW IN AUSTRALIA:

MICHAEL C.H. JONES

SEPTEMBER, 1975

INDEX OF CONTENTS

1. INTRODUCTION
2. THE MULTINATIONAL FIRM: THE NEW GLOBAL POWER
3. THE PACIFIC BASIN: THE NEW REGIONALISM
4. LABOUR RELATIONS: THE TRADE UNION DILEMMA
5. INDUSTRIAL RELATIONS LAW: THE DILEMMA OF GOVERNMENT
6. CONCLUSION
7. BIBLIOGRAPHY

INTRODUCTION:

The last decade has witnessed a steady flow in futurology publications. From the popularist 'Future Shock' by Alvin Toffler to the academically specialised 'The Year 2000' by Herman Kahn and Anthony Weiner of the Hudson Institute, the common theme has been of change - a constant, accelerating and ubiquitous change which is identified as the most striking characteristic of modern industrial societies. In the field of education for example, as pointed out by Charles Levinson; "The life span of the technical knowledge of a graduate chemist today is estimated to be about ten years; then it becomes quite obsolete. Half the knowledge of today's engineering graduates will be useless in a decade. Yet half of what both will have to know by the end of that time has not yet been discovered"¹ Thus whilst there has always been change, note the revolutionary effects of the invention of the mechanical clock in the 13th century, the 'knowledge explosion' since the second World War has brought a qualitative difference in the ramifications of change - as many have recognised the new problem is that change has changed. The technological innovations in transportation, communication and power source has transformed human beings in little more than half a century from farmers tied down by the natural forces into industrialised and urbanised creatures bureaucratised beyond redemption.

The watchword is no longer stability but rather predictability. If the only certainty is uncertainty - in politics, economics, technology and culture - then the psychological stresses on members of a community, not to say the dramatic pressures on a nation's fundamental institutions, become almost unbearable. In order to regain some equilibrium there is a necessity for a concerted and persistent intellectual speculation about the likely implications of this 'second industrial revolution' for mankind. If what the French call 'le stop-go' is not to prove catastrophic - massive institutional breakdown - then policy makers must be put

1. Charles Levinson, "International Trade Unionism" Doskin House, London, 1973, p. 325.

in a position to deal with whatever future actually arises. Whilst there are no techniques which will guarantee that forecasts are correct, nevertheless the systematic collection of data and the analyses of the possible consequences of technological change will enable current planners to fashion some of the systems of tomorrow. Hopefully we can grapple effectively with the central problem of the last half of the 20th Century - "the need to revolutionize institutions and values without destructive crisis and destructive revolution"².

Therefore, among other things, a greater attention to the study of industrial relations systems will be inevitable, since a knowledge of the complexities of human behaviour in industrial societies undergoing rapid technological change is central to any future institutional predictability. Now it may well be true, as suggested by Dr. Schumacher in 'Small is Beautiful', that we need 'a system of Intermediate Technology, based on smaller working units, communal ownership, and regional workplaces utilising local labour and resources', but it certainly is true that the giant multinational firms, which as David Dickson has shown in *Alternative Technology* use technological innovation as a political instrument to control labour, will strenuously oppose any fundamental regulation of economic priorities in the industrial arena attempted by national governments. The employer-employee relationship in an economically integrated global society where multinational firms employ millions of workers in dozens of countries suggests a new form of authoritarianism.

Consider two widely accepted prophecies. Firstly that of Perlmutter, Levinson and Wheelwright which suggests that by the end of the century between 200-400 multinational firms - about 3 or 4 percent - will control three-quarters of the assets of the non-communist world.³ Secondly that the movement towards workers control or participation in business decision making will accelerate. For example Mr. John Ducker, Assistant Secretary of the N.S.W. Labour Council and President of the N.S.W. A.L.P., has recently

2. Business International S.A. "Managing the Multinationals" George, Allen & Unwin, London 1972, p. 82

3. Business International, p. 113, Levinson, p. 256.
E.L. Wheelwright, "Radical Political Economy" Australian & New Zealand Book Co., Australia 1974, p.37

claimed that the A.C.T.U. would in a few years officially endorse the concept of workers having 50 percent of the seats on the supervisory boards of corporations - "we will then be following in the steps of the Trades Union Congress in Britain and other national trade union bodies"⁴. The implications for industrial relations are monumental. If idealism is tempered with realism - a realism which acknowledges that power is seldom given up voluntarily but is usually institutionalised legally - then given the existing company, union, and property laws in western countries, it does not seem unreasonable to conclude that the present industrial relations systems will be severely strained perhaps obliterated, in a prolonged struggle for control of the multinational firm between management and labour.

Thus the purpose of this position paper is simply to attempt what is called an 'explanatory forecast' - that is "forecasting which starts with present knowledge and in some way extrapolates this into the future to determine emergent events"⁵. By attempting to analyse recent developments in the policies and structures of multinational firms within the context of current trends in the global political economy, it may be possible to determine the present weaknesses in national industrial relations systems so that the necessary legal innovations may be made to prevent future institutional collapse. Hence the paper falls into four sections dealing with the multinational firm, the Pacific basin, labour relations, and the law. My information is derived from two secondary sources - pre 1973 publications and post 1973 newspaper and magazine articles. However, the material on the whole was unsatisfactory. Geoff Sorrell comments, ".....unions have hardly started to come to grips with the problem of the multinational corporation, a problem made all the more pressing by reason that this country is not only a part of the periphery of the U.S.A. but is also bidding to be itself a metropolitan area possessed of its own periphery"⁶.

4. "The Sun" - 28/9/75

5. Devan Mills (Ed), "Australian Management and Society, 1970-85", Penguin Books, 1971, p. 41.

6. Geoff Sorrell, "The Arbitration System" in J. Playford and D. Kirsner "Australian Capitalism" (Towards a Socialist Critique), Penguin Books 1972, p. 263.

Ted Wheelwright, disappointed at the low calibre of most of the contributions - especially the Australian ones - at the second Asian Regional Conference of the International Metal Workers Federation held in Sydney in October 1972, advises that "Australian unions would do well to foster strong links with their Asian counterparts and to find out not only to what extent genuine unions are free to exist, but also what the living and working conditions of those in multinational corporations are."⁷ Yet this absence of any solid research on the effect of multinational companies or firms, in their employer capacities, on Australian industrial relations is symptomatic of a greater malaise as summarised by Isaac and Ford: "Fundamental to the understanding of an industrial relations system is a knowledge of the major institutions in the system. Yet in Australia, as in many industrialised countries, the study of employers associations has lagged considerably behind the study of unions and industrial tribunals. Journalists and academic writers freely investigate current developments in the labour movement and speculate about its future, but developments in employer organisations are all but ignored."⁸ Hence I had to be satisfied with overseas interpretations which were predominantly European orientated.

THE MULTINATIONAL FIRM: THE NEW GLOBAL POWER:

The immense power of the multinational firm and its impact on the world economy can be gauged from the number of international organisations currently investigating its activities. The European Economic Community (E.E.C.), the Organisation for Economic Co-operation and Development (O.E.C.D.), and the International Labour Office (I.L.O.), will soon bring down reports. The United Nations has launched three investigations - The Conference on Trade and Development (U.N.C.T.A.D.) has as yet not reported but a 200 page background paper called 'Multinational Corporations in World Development' was tabled in August 1973 and the Group of Eminent Persons appointed by the Economic and Social Council (E.C.O.S.O.C.) brought down a further 80 page report in June 1974. The August 1973 report defined

-
7. E.L. Wheelwright, "Radical Political Economy" Australian and New Zealand Book Co., Australia 1974, p. 85
 8. J.E. Isaac & G.W. Ford, "Australian Labour Relations Readings" Sun Books, Melbourne 1971, p. 293

will be without geographical bias or in the words of Brooke and Remmers there will be "no domestic or overseas divisions, only various parts of equivalence standing in different parts of the world" while "decisions with respect to markets, sources of finance, promotion of management personnel, uses of funds, and plant and head office location would be made on the basis of socio-economic analysis without reference to national pride or local loyalties".¹¹ This corresponds to what Perlmutter calls his third attitudinal type of multinational: the geocentric firm.

Now if we analyse the structural growth of American companies, whether the four stages of Peter Drucker - small, fair, large and very large;¹² or the three described by Graham Bannock - infant, medium and mature;¹³ two developments almost invariably occur - certainly where national markets have been integrating economically. Firstly, there is a split in ownership and control and secondly activities are not confined to one country. Ownership in the sense of shareholding confers only a right to dividends since voting rights are so dispersed as to be meaningless. Management controls the operations but is motivated more by growth potential than by profit realisation. Purely domestic companies are usually organised along central services - that is functional lines such as finance, marketing, research, personnel and engineering; or product group lines - that is engineering, chemicals, building, textiles, etc.¹⁴ But when the company begins to operate internationally the problem of regional or geographical organisation arises. It is here that Perlmutter makes his insights: "...the key element of structure is not how product, function, and geography are formally interrelated in the corporate organisation chart. Rather it is the central attitudinal core of a corporation's top management, which becomes the central attitudinal core of all key managers within the corporation."¹⁵ The history of international business indeed shows the evolution of companies according to the three stages - polycentric, ethnocentric and geocentric.

-
11. Michael Z. Brooke & H. Lee Remmers, "The Strategy of Multinational Enterprise" Longmans, London 1971, p. 5.
 12. Peter F. Drucker, "The Practice of Management, Pan Books, London 1971, p. 280-2
 13. Graham Bannock, "The Juggernauts", Penguin Books, Melbourne 1973, p. 23-24
 14. Brooke & Remmers, "The Strategy of Multinational Enterprise" Longmans, London 1971, p. 24-40.
 15. Business International S.A., "Managing the Multinationals" George, Allen & Unwin, London, 1972, p.115

In the 19th Century, British, French, Dutch and Portuguese companies conducted huge international trading operations with their nation's respective empires. Raw materials and natural resources were exploited on a vast scale throughout Latin America, Asia, Africa and Australia. In the more Europeanised settlements utilities such as railroads, tramways, gas and electricity undertakings were operated in conjunction with the limited manufacturing and production facilities which serviced the local markets. The organisation of international companies was essentially polycentric with the parent company being akin to a present day holding company which has a substantial if not major financial interest in its subsidiaries but does not play a significant part in decision making. Without modern communication systems the contact between the company headquarters and the foreign activities was limited. Each operation tended to function independently. It was in fact principally the introduction of tariff policies by the newly independent nations - in order to foster the growth of local industries, provide employment and perhaps encourage investment - that encouraged the predominantly European companies to build plants for local manufacture and employ local managers rather than pay the duties. Nevertheless the scale of operations by international companies in overseas countries in relation to total economic activities in the home countries was very small. As Christopher Tugendhat comments: "...in what were then the most important industries - coal, railways, iron and steel, engineering, shipbuilding, textiles and above all agricultural products - international companies played an insignificant role."¹⁶ However, the two World Wars in the first half of the 20th century changed the situation dramatically.

The fundamental and related socio-economic developments of the period 1914-45 were firstly the destruction of, or at least serious damage to, the economies of every major industrialised country except the U.S.A.; and secondly the revolutionary technological innovations resulting mainly from weapons research. Now it is true that in 1914 the U.S.A. had well established multinational firms such as

16. Christopher Tugendhat, "The Multinationals", Penguin Books, Middlesex, England, 1974, p. 37

Standard Oil, United States Steel, International Harvester, Ford and Westinghouse operating in Europe, but it was principally the Second World War and the consequent U.S. monopolisation of research and development in the major technological industries such as electronics and computers that enabled the rapid growth of the ethnocentric American multinational firm in the 1950s and 1960s. The Truman Doctrine, the Marshall Plan in Europe and the Scap Administration in Japan facilitated the economic penetration of the non-communist world so that an American cultural hegemony came into existence.

The ethnocentric multinational firm is characterised by an overwhelming identification with the home country. The top management and corporate staff together with the key decisions and standards of evaluation originate from the international headquarters in the U.S.A. The centralisation of operations is similar to administration in a planned economy where the market has been replaced and prices and costs as well as the consumer and producer response are pre-determined.¹⁷ In the words of Hymer according to Wheelwright: "...there are three types of markets in the world: the national market, the international market; in which goods from national markets are independently exchanged; and the markets of the multinational empires, which cut across the other two, are growing faster than they are, and causing their disintegration."¹⁸ Hence when you consider the statistics:

- 1) 8 of the top 10, and 24 of the top 50, multinationals are based in the U.S.A.¹⁹
- 2) the top 10 multinationals are bigger by sales than 80 nations by gross national product whilst the top 40 are bigger than 65;²⁰
- 3) in 1970 of the largest 200 nations and firms 53 were countries and 47 multinationals, with General Motors 23rd, Standard Oil 27th and Ford 29th;²¹

and the fact that multinationals have the ability to transfer

17. John Kenneth Galbraith, "The New Industrial State" Penguin Books, Middlesex, England 1975, Chaps. 3 & 4.

18. E.L. Wheelwright, "Radical Political Economy" Australia and New Zealand Book Co., Australia 1974, p. 40

19. "Fortune" Magazine, The Australian Financial Review, 16/8/75

20. Ralph Nader, The Australian Financial Review, 14/9/73

21. Lester R. Brown, The Australian Financial Review, 1/8/73

resources at their own discretion, create artificial prices, speculate in national currencies and export capital and technology if and when they choose,²² then the international fear and hostility existing among the medium sized countries, and smaller, is understandable.

The ethnocentric multinational firm is attacked for being^{an} instrument of U.S. foreign policy - the trading with the enemy Act boycott of Cuba in the 1960s and the C.I.A. organised I.T.T. and Kennecott subversion against Allende's Chile in the early 1970s are often cited as examples - as well as for perpetuating the dependence of poor countries through the ownership and control of their industries and resources. As a result there has been a major assault on the multinational by host nations. Among the Pacific countries restrictions on entry have been enacted by Argentina (Foreign Investment Law) and Australia (Foreign Takeovers Act) whilst there is an Andean Foreign Investment Code and a Canadian Development Corporation designed to encourage national investment. The OPEC nations have decided that they and not the multinationals will decide the quantities of oil to be lifted and sold, and at what prices, thus encouraging other commodity cartels such as among Manganese and bauxite producers. Even sections of the U.S. Congress have been hostile especially regarding tax loopholes, over concentration in breach of the anti-trust laws - note the present I.B.M. case in New York, and excessive secrecy regarding operations.

Hence the response by many ethnocentric American multinationals has been to lower the flag and become more globally integrated - geocentric in attitude. In the post Vietnam 'energy crisis' era a strong identification with the U.S.A. is not as profitable as it once was. There are increasing pressures to at least regionally decentralise. Again as stated by Perlmutter: "...the whole world is searched, not only for markets and materials, but also for ideas, standards of behaviour and ways of doing business, for places to build plants and conduct R. and D., and for people".²³ For example International Business Machines,

22. Seymour J. Rubin, "The Multinational Enterprise at Bay", 68 American Journal of International Law, 1974, p. 478.

23. Business International S.A., "Managing the Multinationals", George Allen and Unwin, London 1972, p.118

(I.B.M.), which earned U.S.\$7.5 billion in gross national sales in 1970²⁴ and U.S.\$12.7 billion in 1974 (78 percent from computer operations)²⁵ has an agreement with four Latin American countries for the manufacture of components in Brazil, their assembly in Argentina, with a Chilean firm licensed to produce punch cards and the whole operation directed from the headquarters in Uruguay. I.B.M. receives a duty free zone for its products while the operation is more truly international as there is a mixture of both universal and local standards of evaluation and control.

But perhaps the best examples of the new geocentric multinational firm in action are to be found in the oil industry where totally world wide structures with inter-dependent units are rapidly coming into existence. The classic illustration of the split between the U.S.A. as a political organisation and the American multinationals as economic organisations occurred during the October 1973 Arab/Israeli conflict when the oil companies refused to deliver supplies to the U.S. Mediterranean fleet in deference to the wishes of the Arab states - particularly Saudi Arabia. Access to oil profits took precedence over national loyalties. According to Seymour Rubin: "The more specific of the (US) Senate hearings have focused on the so-called windfall profits resulting from the energy crisis, and on the fact that the oil companies have seemingly had little reason to regret - from the viewpoint of company profits - actions or non-actions which have vastly increased cost to U.S. industry and consumers alike".²⁶ Within the last two years the leading oil multinationals have firstly concentrated on diversification into the other energy sources apart from oil, and secondly switched organisation from the traditional demarkations of North America and the rest of the world (perhaps divided into the western and eastern hemispheres) to economically integrated global functional structures. There are two groups - the conservatives, Shell, Exxon and Mobil and the radicals, Gulf, Continental, and Sun. Shell has set up a separate oil trading company to service all

24. Lester R. Brown, The Australian Financial Review, 1/8/73

25. Barron's Financial Weekly, The Australian Financial Review, 19/8/75.

26. Seymour J. Rubin, "The Multinational Enterprise at Bay" 68 American Journal of International Law 1974, p. 483

its subsidiaries; Exxon is selling its energy technology, particularly in the nuclear field, on an international rather than a North American basis; and Mobil has changed its exploration and production functions into a single world wide grouping. Gulf Oil has regrouped its world operations into seven component companies - extractive industries, refining and marketing, chemicals, transportation, trading, science and technology, and real estate - to replace the old geographically based oil and mineral subsidiaries. Continental Oil has established a global functional organisation via three new vice-chairmen responsible for world wide transportation and supplies, exploration and production, and refining and marketing respectively. Finally, Sun Oil has set up on a trial basis four new units responsible for retail marketing, industrial marketing, exploration services and production.²⁷ Clearly the trend towards the complete elimination of national prejudices in the operations of multinational oil companies has accelerated - the geocentric firm operates in a world economy and its administrative fiat affects many nations. It cannot be doubted that other multinational firms will soon follow the oil giants.

Thus the new geocentric multinational firms with their emphasis on:

- 1) spreading the ownership of the company world wide so that the nationals of no single country hold a majority of the equity;
- 2) having nationals of many countries on the board of directors so that nationals of no single country hold a majority vote;
- 3) internationalising the top management of company so that the enterprise can operate in a nationalistically neutral manner;²⁸

pose a challenge not only to nation states but to the older ethnocentric multinational firms. This problem is immediate especially for the Japanese multinationals. Fortune magazine in mid 1974 named its top 300 industrial companies outside the United States - 85 were Japanese companies.²⁹ Although

27. Adrian Hamilton, "The Australian Financial Review, 4/9/75

28. Business International S.A., "Managing the Multi-Nationals" George Allen and Unwin, London 1972, p.120

29. Lee Fitzgerald, The Australian Financial Review, 6/8/74

somewhat dated T.F.M. Adams asserted that in 1969, seventeen of the top 100, and a further 26 in the second 100 top multinational firms in the world were Japanese.³⁰

However, a proposition paper by Tatsuo Murano and John Tomb, which was commissioned by the Sanwa Bank took the view that 'multinationalisation' was not appropriate for Japanese companies and that because of "the special management practices that Japanese organisations can bring to bear in the process of expanding overseas operations" there was "a unique opportunity for Japanese companies to create a new way of operating on the international scene".³¹ Yet on an analysis of the criteria used to distinguish between a multinational firm and an international organisation it is obvious that the authors had the Perlmutter distinction between a geocentric and an ethnocentric multinational firm in mind. Their definition of a multinational involved four characteristics: a global approach to strategic planning, an integrated management of profits, emphasis on logistics and the development of a transnational management team. Unlike the 1973 United Nations report on multinational firms, Murano and Tomb did not consider the key characteristic of a multinational firm to be "the percent of a company's assets, production or sales outside of its home base country". Therefore their recommendation which on the whole is the present position, was for Japanese companies to maintain their ethnocentric structures because these suited "established Japanese management practices and preferences" - especially the reluctance to assimilate foreigners into top management ranks - and to concentrate on the multinational joint venture as a vehicle for the expansion of international business operations.

On the other hand perhaps an influence on the preference for ethnocentric organisation among Japanese multinationals is the 20 year nexus between the ruling Japanese Liberal Democratic Party and the Japanese business community. In 1974 it was revealed that Kokumin Kyokai, the fund-raising arm of the Liberal Democratic Party, had received A.\$766,000 in monthly contributions from business

30. T.F.M. Adams and N. Kobayashi, "The World of Japanese Business", Ward Lock, London 1969, p. 13

31. Tatsuo Murano and John Tomb, The Australian Financial Review, 10/9/73

enterprises - Nippon Steel A.\$20,000, Tokyo Electric Power Company A.\$15,000, Hitachi, Tokyo Shibaura Electric Company (Toshiba), Mitsubishi Heavy Industries and Matsushita Electric (National) A.\$10,000 each.³² Moreover last year's special sessions of the Japanese Diet, where bankers, industrialists and traders were forced to answer charges of profiteering during the Nation's oil crisis, has probably had a sobering affect. Business leaders were given a taste of what could happen if a coalition of the opposition Socialist, Communist and Komeito (Clean Government) parties were to force the conservatives from power. Hence there is unlikely to be a split between the Japanese State and the Japanese multinational firms along the lines of that in the U.S.A. provided the Conservatives retain office.

Whether or not the Japanese multinationals become geocentric, their significance for Australia, as with their American counterparts, lies in their role as employers. Consider American and Japanese penetration of the Australian economy at the date of the Federal Labour Party's electoral victory in December 1972. The Americans in 1967 controlled 64 of 299 large companies - a further 77 were controlled by other foreign multinationals. According to Wheelwright "American companies controlled the following proportions of assets of large companies in these industries: non-ferrous metals - 31 percent, petroleum and chemicals - 40 percent, excavating equipment - 48 percent, agricultural equipment - 81 percent, rubber tyres - 25 percent, pharmaceuticals - 34 percent, food processing - 11 percent". Moreover, apparently a U.S. Treasury White Paper put American company investment in Australia in mid 1971 at approximately U.S.\$3.2 billion - America's fourth largest investment overseas, whilst the American Chamber of Commerce placed direct U.S. investment in Australia towards the end of 1972 at U.S.\$4.8 billion. There were 500 U.S. multinational subsidiaries operating in Australia with a further 1400 Australian firms having licensing arrangements with U.S. companies.³³

The Japanese had concentrated on obtaining raw

32. John O'Farrell, The Sydney Morning Herald, 5/3/74

33. E.L. Wheelwright, "Radical Political Economy" Australian and New Zealand Book Co., Australia 1974, p. 89-90

materials from Australia through joint ventures. The Japanese steel, shipbuilding and automobile industries by 1970 took 85 percent of Australia's iron ore exports, 98 percent of its coal exports and 60 percent of all minerals. In 1971 three Japanese multinational firms, Marubeni Corporation, Okura Shoji and Nippon Kokan Kaisha (Japan Steel Tube Corporation), in partnership with the Australian firm Magellan Petroleum, announced the plan to invest over U.S.\$1 billion in a project to extract natural gas from Northern Australia for export to Japan. Mitsubishi in the same year announced a US\$119 million petroleum exploration project, whilst in February 1972 four Japanese companies, Sumitomo Chemical, Showa Denko, Marubeni Corporation and Sumitomo Shoji Kaisha, announced a deal with two U.S. multinationals, American Metal Climax and Holland Aluminium for an alumina plant in which the ultimate Japanese stake would be ¥132,000 million. Finally, Mitsubishi Trading and Sumitomo Trading concluded a A\$321.5 million agreement for 10 million tons of eucalyptus woodchips - purportedly sufficient pulp material to last the Japanese paper industry 10 years.³⁴

The net effect of such multinational activities is to create an economic dualist structure throughout the world let alone within an economy as small and as isolated as Australia's. National economies in both the host countries and the home countries are split into two sectors: "one sector is the high technology, high profit, high wage, capital intensive sector of the big corporation with its research based towards product innovation, usually dominated by the multinationals, and a much larger sector which is low wage, low productivity, low profit, less capital intensive and based on much less advanced technology, utilising little research. This is often the predominantly locally owned sector of small production units, the service sector, and the public service sector of post offices, railways, gas and electricity."³⁵ We are in fact witnessing such a classic conflict of interests between the two sectors in Australia today.

34. Jon Halliday and Gavan McCormack, "Japanese Imperialism Today", Penguin Books, Middlesex, England, 1973, p.238-40

35. E.L. Wheelwright, "Radical Political Economy", Australia and New Zealand Book Co., Australia 1974, p. 41

The 180,000 strong Amalgamated Metal Workers Union (A.M.W.U.) by claiming a \$35 a week increase, on the grounds of a capacity to pay, for its members in the oil industry, threatens the Labour Government's wage indexation policy which was designed both to protect the wage earner from inflationary loss irrespective of the strength of his union and to provide stable industrial conditions so as to encourage business confidence. The power to force the closure of the Caltex Oil Company refinery at Kurnell, where 70 percent of N.S.W. petrol needs is produced as well as aviation fuel, lubricants and nearly all the State's industrial fuel; is a prime example of how a key technologically based industry has assumed a disproportionate importance in the national industrial relations and wages system.

It would be interesting to know to what degree this desire among certain unions in advanced technological sectors for collective bargaining has been fostered by American multinational firms whose management techniques and industrial relations policies derive from their collective bargaining experience at the plant level in the U.S.A. For example, Isaac and Ford point out that as late as 1970 the Oil Industry Committee was an unregistered employer organisation (re S.132 Commonwealth Conciliation and Arbitration Act and Ss. 6 & 8 N.S.W. Industrial Act), and comment that: "a number of the large multinational corporations which have moved into Australia have either not joined employers organisations, or where they have joined, they have shown they do not feel bound by their associations policies, particularly when faced with a tight labour market situation".³⁶ If this is correct then the Australian Arbitration system as a viable operation is under serious challenge.

Further speculation as to the remunerations paid by multinational firms to their employees is raised by statistics released in June 1973. According to Russell Hale, President of the American Chamber of Commerce in Australia, a survey of 128 American subsidiaries with assets of A\$4.4 thousand million and representing 'the overwhelming percentage of all U.S. investment in Australia', showed employment of 130,937 persons of whom only 426 were Americans. Moreover 46 percent

36. J.E. Isaac and G.W. Ford, "Australian Labour Relations" Sun Books, Melbourne 1969, p. 300

had Australian Managing Directors whilst 84 percent of senior executive positions were filled by Australians.³⁷ Now in the same month - June - the management consultants Cullen Morton issued their review of executive salaries. The financial year 1972/73 apparently saw executive and staff salaries in Australia increase on an average by 9.1 percent - but executives in management, manufacturing, finance, and marketing received 9.7, 10.2, 9.9, and 9.7 percent increases respectively. The inflation rate for the year 1972, the period of the McMahon Liberal Government, was less than 5 percent. The Cullen Morton report also predicted an overall salary rise for executives of 14 percent in the financial year 1973/74 - but again senior executives in management, manufacturing, finance and marketing were to receive a predicted 16 percent rise. The crucial point here is that the prediction relating to a rise in the consumer price index for the same period 1973/74 was only 10 percent. Hence it would appear that there was indeed a pace setting role played by Australia's executives in relation to the private sector. It would be interesting to know what the American multinationals were paying their 'Australian Managing Directors and senior executives' and whether or not there was a flow-on effect among their 130,000 plus employees. In industries where American firms had substantial dealings, as already outlined, the Cullen Moreton report predicted that the national average for chief executives would in the financial year 1973/74 reach \$28,000 - senior executives in management \$30,000, manufacturing \$27,000, finance \$28,000 and marketing \$30,000.³⁸ Again this seems to support the thesis of a dual economic structure in the Australian economy. Research is needed into the extent of 'sweetheart agreements' outside the Arbitration system between employers and employees in industries dominated by the multinational firms.

THE PACIFIC BASIN: THE NEW REGIONALISM:

The Pacific basin has been studied from a number of perspectives - political nationalism, cultural trans-nationalism, economic regionalism and ideological affinity.

37. Russell S. Hale, The Australian Financial Review, 25/6/73

38. Cullen Morton, June Review, The Australian Financial Review, 20/8/73

Yet all these interpretations have one common factor - their concentration on the four continents, North America, South America, Australasia and Asia. Thus, the very recent politico-economic developments - the relationship between the earth's resources and the world's technology - are not clearly perceived. The new regionalism relates to the vision of the world as being organised around the three great oceans - Atlantic, Pacific and Indian. The East-West axis of the old colonialism has changed to a North-South axis of resources imperialism. The economic integration of national economies through the business activities of multinational firms has emphasised the metropolis-hinterland dichotomy where the major cities are serviced by the surrounding countryside but relate principally to each other as ports on a lake. Just as the control of the Mediterranean established Roman suzerainty, the control of the communication and transportation networks across the Pacific guarantees the economic power of the American and Japanese multinationals, Herman Kahn of the Hudson Institute, asserts that the Pacific Basin should be analysed in terms of its cities rather than its countries and lists 30 cities in the inner Pacific including Vancouver (Canada), Los Angeles (USA), Guadalajara (Mexico), Lima-Callao (Peru) and Santiago (Chile) in the East; and Tokyo (Japan), Shanghai (China), Taipei (Taiwan), Hong Kong - Canton (China), Manila (Philippines), Singapore, and finally Sydney and Melbourne (Australia), in the West. This is a new imperial system of international capital, in which the income, status, authority and consumption patterns radiate out from the centres in a declining fashion, as they used to in ancient Rome. Small business firms are already being encouraged to look to the Pacific as a growth area and hence as the target point for their servicing of multinational operations through activities relating to sales, consultancy and communications.³⁹

Two factors are central to an understanding of the Pacific Basin strategy of the multinational firm. Firstly the global sources of conflict and secondly the dominant economies of the U.S.A. and Japan. On the one hand Geoffrey Barraclough, formerly Chichele Professor of Modern History

39. Norman Macrea (Deputy Ed. 'Economist') The National Times, 20-25/1/75

at Oxford asserts that the world political situation of the 1970s is as fluid and dangerous as the situation in the 1930s and that "as the old international political and economic structures begin to topple and disintegrate, the struggle for wealth and power is developing into a struggle of all against all."⁴⁰ On the other hand the second most powerful man in the United States, Secretary of State Henry Kissinger proclaims before the U.N. General Assembly a 'World New Deal' based on consensus. The most powerful Nation in the world will back a US\$2,500 million programme for the International Monetary Fund (I.M.F.), a US\$400 million capital fund for the International Finance Corporation of the World Bank, the establishment of an international energy institute and a world wheat reserve of at least 30 million tonnes, the expansion of technological assistance, industrial research and information centres as well as movement towards agreement on 'balanced principles' governing multinational firms.⁴¹ The world is in a perilous state and the United States has offered to help it out. But in reality is the United States in a position to do so. In 1973 Marinus Van Gessel, Deputy Assistant Secretary, and Director of the U.S. Bureau of International Commerce, revealed that the American share of the world's market had slipped from 20 percent to 16 percent resulting from the growth of new industrial nations - principally Japan.⁴² Thus the United States is itself a victim of global tensions.

The four current politico-economic confrontations which must be taken into consideration in an analysis of the Pacific basin are the new capitalist communist cold war, the continuing Sino-Russian ideological struggle, an industrialised world versus Third World conflict and the power manoeuvrings of the evolving super blocs.

The first centres on the survival or not of liberal capitalist societies. Irving Kristol, Henry Luce Professor of Urban Values at New York University, explains that this is a conflict of political ideologies between liberal capitalism and the rest (whether communist, socialist or neo-fascist), who assert that the wealth of the United States

40. Geoffrey Barraclough, New York Review of Books; republished in The National Times, 25/30/8/75 p.28

41. Henry Kissinger, The Sydney Morning Herald, 3/9/75

42. Joseph Glascott, The Australian Financial Review, 7/6/73

derives from the exploitation of their countries by the capitalist world. He contends that "you cannot collectivise and plan the international market economy without at the same time intervening massively in domestic market arrangements" and that "the ideological significance of setting up various world authorities to stock pile commodities and rig the international markets so as to help close the gap between rich and poor nations" is the undermining of the liberal capitalist system.⁴³ In this context the U.S., Canada, Australia, New Zealand and Japan would be considered liberal capitalist economies.

The second, namely the Sino-Russian conflict, is according to Brigadier Ted Serong terminal since "the world is just not big enough for both these mutually exclusive concepts of communism". He maintains that either by guns or by corruption there will be a fight to the death and in the meantime "the Philippines will go to China, Vietnam is already Russias, Cambodia to China, Thailand to China, Malaysia to Russia, Taiwan to Russia. Indonesia...eventually Russia, Singapore...China. Australia will go the way Japan goes and Japan has said that all things being equal, if forced to choose she will opt for China."⁴⁴ Whether or not this possible scenario has merit certainly the Japanese and American multinationals are not going to commit themselves to the massive investments required for the development of the mineral resources in Siberia whilst this rivalry continues. They will look to other areas - Canada, Australia and Brazil.

Zbigniew Brzezinski, Professor of Political Science at Columbia University articulates the third confrontation: "the main axis of conflict at most international conferences today is not between the Western world and the Communist world but between the advanced countries and the developing countries".⁴⁵ In the post Vietnam resources diplomacy world the OPEC-Third World alliance is demanding a new world order in which there is a significant transfer of wealth and power on a global scale from the rich to the poor nations. The present international economic system with all its built in advantages to the industrialised countries will not be

43. Irving Kristol, The Wall Street Journal, repub. in The Australian Financial Review, 25/7/75

44. Francis P. Serong, The Bulletin, 9/8/75

45. The Australian Financial Review, 25/7/75

given up easily. In Kansas City on May 13th 1975, Henry Kissinger warned that the United States had no intention of accepting 'unrealistic proposals' for 'a totally new economic order'. Not only would U.S. policy be directed to ensuring the profitability of American multinational firms but the U.S. would also insist that "those countries which are eager to industrialise must also be ready to create the conditions that will attract large scale investment."⁴⁶ The moralistic argument that the West owes a debt to the Third World for centuries of exploitation and humiliation carries no weight in the world of real politics. Australia should take note - resources diplomacy may mean simply no sales.

Finally, the fourth dimension of international tension concerns the emergence of a number of economic super blocs. The world may be integrating economically but it is the integration of various regions which are themselves dominated by specific national political economies. The Russian economy dominates Eastern Europe, the U.S. economy dominates the Americas, the German economy dominates the European Economic Community and the Japanese economy dominates an Asian region including South Korea, Taiwan and South East Asia. It may well be that future super blocs^{also} emerge, perhaps Iran dominating the Middle East and Brazil, South America. The multinational firms of the U.S.A., Japan and Western Europe have geared themselves to control the industrial super structures of these various super blocs. Whilst the proportional power of the United States as a political structure has declined the economic power of her multinational firms is central to any technological innovation. Australia as a peripheral national economy will have no say in solving the great problems of world poverty, over-population, scarcity, pollution and the depletion of natural resources. The state-centric approach is purely historical.⁴⁷

In a multipolar world of shifting alliances based on political ideology and economic wealth the key institutions are those through which international decisions are made. There are three levels of such decision making: the nationally based international organisations like the United Nations and its associated agencies, the economically independent multinational firms operating through their subsidiaries, and the transnational policy formulations of

46. Geoffrey Barraclough, New York Review of Books, repub. in National Times, 25/30/8/75.

47. Leland M. Goodrich, & David A. Kay, "International Organisation, Politics and Process" University of Wisconsin, 1973 - Introduction.

such groups as Chambers of Manufacturers, Trade Unions and religious bodies. However, only the multinational firm has the technology, financial capacity, organisational structure and political and economic independence to plan for the complex systems of the future. The upshot for the Pacific basin is that the multinational firms will be forced by global tensions to look south for their expansion.

Business International reports that Japanese, American, Canadian and Australian business leaders have in recent years discussed the idea of a "Pacific Basin Organisation for Economic Co-operation and Development" and predict that by 1980 the concept of multinational firms engaging in joint action for the systematic development of the area will be a fact of life.⁴⁸ Should this prophesy prove even partially correct then quite possibly there will also come into existence what can only be called a Trans-Pacific Industrial Relations System. In such a situation two questions inevitably arise. What will be the relationship between the American multinationals, which are becoming more and more geocentric, and the predominantly ethnocentric Japanese multinationals? How will Australia be integrated into this Pacific Basin economy?

During the 1960s the Japanese economy grew at the rate of 11 percent a year and would have overtaken that of the U.S. in the 1980s on a wealth per capita basis. However the Oiru Shokku (oil crisis) and related matters of 1973 has according to some commentators drastically altered that possibility. The Japanese governments Ministry of International Trade and Industry (M.I.T.I.) now expects the gross national product to grow at an annual rate of approximately 6 percent in the years to 1985. Thus the average Japanese income is expected to rise from US\$3000 at the end of 1974 to approximately US\$5,500 in 1984/5 as compared to the U.S. which at 4 percent will grow from about US\$5,000 to approximately US\$7,500. That is the gap should narrow from the present 40 percent to about 27 percent.⁴⁹ Nevertheless this is the pessimistic view. Others such as Hisao Kanamori of the Japan Economic Research Centre believe the average annual growth rate will be above 9 percent which would mean

48. Business International S.A., "Managing the Multinationals" George Allen & Unwin, London 1972, p. 53

49. John McIlwraith, Japan Survey, The Australian Financial Review, 1/9/75

the doubling of the average Japanese income by 1990 and make Japan the richest nation per capita.⁵⁰ He believes that Japan's unique advantages of a high quality labour force, an aggressive corporate management and a high capacity for accumulating capital will initiate another super boom or miracle despite the problems of Japan's size, access to raw materials, social welfare financing and pollution control costs. Norman Macrea, Deputy Editor of the Economist magazine, would agree. He contends that the Japanese "growth has slowed shudderingly on five other occasions during the 25 year boom. Each time the wailing of the brakes and the wailing about permanent slowdown have been quickly followed by re-acceleration back to over 10 percent gross."⁵¹ Hence the next surge will alter the industrial leadership of the world.

Whatever be the case, and we can safely assume that it is likely to be somewhere towards the median of the argument, Norman Macrea is indeed correct in asserting that the world's centre of gravity in business terms is about to shift from the Atlantic to the Pacific. The two great post industrial nations, dominating their respective regions, and integrated economically at a series of different levels, will be Pacific neighbours. The great difficulty will lie in deciding the form of Japanese American co-operation.

Zbigniew Brzezinski suggests an annual trilateral cabinet meeting of the Japanese and U.S. cabinets together with the European Communities Council of Ministers. A permanent secretariate would be created to further co-operation especially with other nations of the Western industrial world through the Organisation of Economic Co-operation and Development (O.E.C.D.) Foreign Ministers.⁵² This view was supported in a joint statement issued by one section of American Japanese business leaders following a report entitled 'Toward a New International System' prepared by the American Committee for Economic Development and the Japanese Economic Development Committee.⁵³ However on the whole the idea has not been enthusiastically received in Japan.

50. Hisao Kanamori, Japan Survey, The Australian Financial Review, 11/11/74

51. Norman Macrea, The National Times, 20/25/1/75

52. Zbigniew Brzezinski, The Australian Financial Review 30/3/73

53. The Australian Financial Review, 18/6/74

A variation of the above scheme but relating to the International Monetary System was expounded by the Japanese Economic Research Institution in mid 1973. The idea was for a trade based regional system where Asia, South East Asia and the Pacific would be clustered around the Yen, America around the Dollar and Europe around the D-mark. Global unity would be provided by the integration of the regions through a modified SDR system.⁵⁴ This is likely to meet with a more favourable response among Japanese business leaders according to Norman Macrea who is of the opinion that "the mood in Japan is not at present in favour of junior partnership with the United States." On the contrary he suggests that there is a generation gap between the pre 1930 and post 1930 business leaders and that the latter, knowing Japan is Japan's biggest customer, "search more for counter weights to America than for new joint agreements with it."⁵⁵ Thus there is in fact a great deal of Trans-Pacific rivalry in the Japanese American development partnership.

Much of this rivalry will undoubtedly take place in the Southern hemisphere and this of course involves Australia. What Eduardo Lachia calls the Trans-Pacific quota war - that is Japanese barriers against imported beef, Australian quotas on imported foreign cars and American restrictions on imported T.V. sets - has contributed significantly to the situation where Japanese American trade gives Japan a surplus of more than \$200 million every month and where Japanese Australian trade runs three to one in Australia's favour. The recent Australia Japan Co-operation Conference, in which 80 leading business men met in Perth, attempted to resolve some of these problems. Two significant facts emerged: Firstly the leaders of the three blue chip multinational firms - Nippon Steel, Mitsubishi and C. Itoh - whose trading and investment decisions can fundamentally affect Australia's future, strongly attacked the resources policies of the Australian Government. Japanese firms, in joint ventures, were willing to spend hundreds of millions of dollars on development projects if Australia would guarantee a reliable raw materials quarry for Japanese industry.⁵⁶ Secondly, the forecast by Australian businessmen that the Japanese

54. John O'Farrell, The Australian Financial Review, 26/7/73

55. Norman Macrea, The National Times, 20/25/1/75

56. Eduardo Lachia, The Australian, 6/9/75

Australian relationship would become deeper and more functional, indeed taking the form of economic development in the basic areas of energy, minerals and protein. The Managing Director of Gollin Holdings, suggested Australia should study the position of Japan with other countries particularly the U.S.A. - "...in the past we have tended to think of the U.S.A. and Japan as two separate and independent trading partners of Australia. The relationship is triangular and we would do well to spend more time understanding the properties of triangles."⁵⁷ Better still Australians might well attempt to understand the properties of quadrangles - the Japan USA Brazil Australia relationship. In the light of current Federal Labour Party mineral policies there is a growing realisation that Australia could well be by-passed as a major supplier of raw materials to Japan. The leader of the Federal Opposition, Malcolm Fraser, has referred to "the use of resources diplomacy which caused Japan to write iron ore contracts with Brazil and South Africa, rather than with Australia."⁵⁸

Jose de Cubas, President of the Council of the United States Corporations with interests in Latin America, stated in the New York Times in mid 1973 that Japanese multinational companies were gaining ascendancy over U.S. companies in Latin America. After a comparative analysis under such headings as decision making, the inward look, sloppiness, joint ventures, prices, compatibility, financing, local blending, etc. he concluded that to Latin American governments Japan was becoming a more and more desirable trade alternative to the U.S.A.⁵⁹ This trend in favour of the Japanese and away from the U.S.A. was confirmed by the General Accounting Office, an investigating unit of the U.S. Congress, which found that the reason why U.S. firms were not getting a larger share of the World Bank and I.D.A. financed contracts for projects in Latin America, Asia and Africa was a 'lack of competitiveness'. In the 12 months ending mid 1973 World Bank and I.D.A. loan disbursements totalled about US\$1,680 million, of which foreign procurement awards amounted to about US\$1,200 million. Now for the first time the U.S. share of US\$207.1 million or 17.3 percent ranked second as

57. John McIlwraith, The Australian Financial Review, 4/9/75

58. Malcolm Fraser, 46th Anzus Congress, p.18

59. Jose de Cubas, The New York Times, republished The Australian Financial Review, 1/6/73

a supplier of goods and services. Japan with US\$265.5 million or 22.2 percent was first. Moreover these figures showed a steady increase from 16.8 percent in 1972, 14.6 percent in 1971 and 11.6 percent in 1970.⁶⁰ Clearly, if these trends have continued U.S. multinational firms are in trouble. Perhaps this will encourage the trend to geocentric structures and certainly¹¹ has brought considerable decentralisation with which I will deal later.

The significance for Australia of this accelerating Japanese involvement in Latin America - and as I will show particularly Brazil - is that the great revenues of the past may gradually diminish - especially if there is a future over supply owing to new discoveries or the development of substitutes. The impact of such an occurrence on Australia's economy and specifically the advanced technological and high wage sector would be disastrous. This scenario was foreshadowed at the unsuccessful ministerial meetings between Japan and Australia in mid-1973. Thereafter, the Japanese multinational firms intensified their cultivation of the military government in Brazil. In November 1973 a Brazil Japan Business Co-operation Committee was established to foster closer commercial links between the two countries. Moreover it was revealed that Japanese companies had committed themselves to investments worth thousands of millions of dollars in developing the industrial infrastructure of Brazil. Steel mills, aluminium smelters, chemical works and 25 petro-chemical plants were under consideration. Some of the finalised project agreements included Tubarao, north of Rio, which was a US\$800-million steel development joint venture between Brazil's Siderbras S.A., Italy's Finsider and Japan's Kawasaki Steel; Itaquí, near the mouth of Amazon, which is a US\$1000 million steel joint venture between Siderbras S.A., U.S. Steel and Nippon Steel. It is expected that steel production will increase from 7-million tons in 1972 to 32-million tons in 1985. Likewise a chip, pulp and paper, project is being undertaken by Brazil's Rio Doce and a consortium of 10 Japanese companies. The estimated cost is US\$1000 million of which over 60 percent will be financed by Japan through the Japan Export-Import Bank and the Government Overseas Economic Co-operation Fund. By 1980 three-quarters of the total output will go to Japan

60. Japan Survey, The Australian Financial Review, 11/11/74

and thereby solve any paper shortage problems.⁶¹

Finally Gregory Clark reports that when Prime Minister Tanaka visited Brazil in September 1974, even though Japan was in the midst of a severe oil crisis, agreement was reached for two additional projects - a US\$500 million scheme to clear and cultivate 400,000 hectares of the Amazon basin for the export of maize and soy beans to Japan; and a US\$1,600 million scheme to locate a 1.3 million ton per year alumina refinery and a 640,000 ton per year aluminium smelter near Amazon bauxite deposits.⁶² Hence the Brazilian threat to Australia's position as Japan's chief supplier of raw materials is well advanced. Australia may have to look elsewhere. But the only major alternative is the United States.

The United States however is no where near as heavily dependent on foreign raw materials as is Japan. The American people it is true use over 30 percent of the world's mineral supplies each year, and at the present gross national product growth rate will expect to double the present annual average usage rate of 20 tons per head by the year 2000. Nevertheless it is estimated that the U.S.A. will only have to import 40 percent of its domestic mineral demand in 1985 and 50 percent in 2000. The OPEC Third World Alliance may well increase price demands and the U.S. may also have to import more than the present 22 of the 74 non energy minerals deemed necessary for contemporary industrialised societies,⁶³ but the multi-national firms need not suffer Australia's resources diplomacy. The "Great Society" or rather its rulers have many advantages. In the first place the U.S.A. still produces on a competitive basis well over half its current and future needs. By recycling and other processes as well as by the moderation of consumption patterns - smaller cars for instance - it can do much better. Secondly the U.S.A. has found it easier and cheaper - perhaps wiser from a strategic military point of view - to import large quantities of minerals, especially its energy fuels, because of the relatively inaccessible domestic mineral sources - in Alaska for example. In a crisis the U.S.A. has a fall back. Thirdly American multinational technological Research and Development - estimated by Charles

John O'Farrell, The Australian Financial Review, 12/11/73

⁶¹. Gregory Clark, The Australian, 19/9/74

⁶³. Peter Hastings, Sydney Morning Herald, 19/6/73

Levinson to be approximately £40-billion sterling in the early 70s⁶⁴ - will soon make possible cheap nuclear power through fast breeder reactors which by 2000 will provide more than 20 percent of America's energy needs. Finally the U.S.A. is the bread basket of the world and as such its new policy of combatting 'petro-power' with 'agri-power' is already proving successful. The governments of the USA and the Soviet Union are about to sign a long term agreement for the exchange of grain and oil.⁶⁵ The Third World unity is likely to be broken.

Thus the brutal facts of life are that Australia is not vital to U.S. interests as many commentators imply. But again this is not our only problem. The American government and the multinational firms based in the U.S.A., in their response to the Japanese and the West German industrial challenges, have set in motion trends which can only serve to further undermine Australia's economy. The U.S. government and the American multinationals are both engaged in fundamental rationalisations of their politico-economic systems which includes the Pacific basin, as well as the Atlantic.

Problems with regard to trade deficits and monetary instability have stirred the U.S. government to devote greater attention to the export-import balance. Marinus Van Gessel, Director of the U.S. Bureau of International Commerce, commenting on the fact that U.S. exports in 1972 amounted to only 4 percent of its gross national production, revealed that of the 250,000 manufacturing companies in the U.S. only about 20,000 were exporters. The Bureau was attempting to get at least another 20,000 to export by a three-tiered policy:

- 1) reforms in freight rates, export controls, anti-trust laws, investment tax credits as well as increased financial assistance for export through the U.S. Export-Import Bank;
- 2) concentration on 15 special target industries including data processing, pumps, valves and compressors, food packaging and processing machinery, and pollution control equipment;
- 3) the establishment of a Special Major Projects Division which would record every major project such as air-fields, sub-ways and nuclear power plants planned by

64. Charles Levinson, "International Trade Unionism" Doskin House, London 1973, p. 277

65. Geoffrey Barraclugh, The National Times, 25/30/8/75

countries throughout the world and thereby be able to advise U.S. companies concerning their bidding. The new emphasis therefore is on home production where it is economically feasible rather than on foreign investment and production through subsidiaries in host countries.⁶⁶

Where home production is neither feasible nor competitive American companies will continue to go multi-national - at first ethnocentric but eventually geocentric in organisational structure. However, this overseas investment will be directed to those countries which have competent low cost labour. In the Pacific region this will mean a concentration on the Andean Bloc (Bolivia, Chile, Columbia, Ecuador and Peru) which acts as Brazil's gateway to Japan, and the Association of South East Asian Nations, ASEAN (Malayasia, Singapore, Thailand, Indonesia and the Philippines) which acts as the American gateway to the potential mainland Asian market. For example Ford plans to invest over US\$1-billion by 1980 in the establishment of an integrated regional production enterprise which will produce an Asian Ford. Components will be produced in different countries - an electric and plastics parts factory in Singapore, engine foundries in Thailand and Taiwan, axle and transmission factories in Indonesia and a diesel engine plant in South Korea.⁶⁷ Or consider recent American investment in Taiwan which in one year, 1972, saw loan commitments increase from US\$500 million to US\$1000 million and the book value of U.S. investment exceed US\$400 million. The significant fact is that whereas in the past American companies - for instance in electronics - produced for the U.S. market now the aim is production mainly for the South East Asian market.⁶⁸ This poses a serious threat to Australian exports.

To briefly conclude: as a result of current Australian policies and the realities of American and Japanese multi-national operations in the Pacific basin it is likely that Australia will not obtain foreign investment on the scale of the past; will be confronted with stronger competition from high technology multinational companies wishing to export from their home countries; will be excluded from traditional Pacific markets on the basis of costs by the subsidiaries of multinationals established there. The real crunch will come

66. Marinus Van Gessel, The Australian Financial Review, 7/6/73

67. Lester R. Brown, The Australian Financial Review, 1/8/73

68. The Sydney Morning Herald, 18/6/73

for Australian industrial relations if and when American multinational firms with their substantial interests ^{in Australia} decide to transfer ^{THESE} operations to low labour cost areas of Asia. The massive structural unemployment which this would entail would drastically change the Australian way of life.

LABOUR RELATIONS: THE TRADE UNION DILEMMA.

In 1970 the Brambles Company sponsored a conference entitled 'Industrial Relations in the 1970s'. The principal guest speaker was R.J. Hawke the newly elected President of the Australian Council of Trade Unions. The essence of that speech is relevant to my thesis. Mr. Hawke contended that "any issue which is discussed in terms of the future is only meaningful if taking account of the problems of dimension". By this he meant a 'dimension of time' - past present and future - and a 'lateral dimension' - the connection with other matters, in short related factors. The primary question he believed was whether or not the constitutions, the institutions and the conventions which man has established in the past, which are operating in the present either unchanged or with modifications are appropriate to the future. For Australia his conclusion was prophetic: industrial relations in the 1970s will be related to the decision making processes about profits and prices.⁶⁹ Unfortunately the institution of the Trade Union as we know it in Australia is inappropriate to deal with the multinational firm in the Pacific basin.

The employer/employee relationship has changed fundamentally. The multinational firm has cast aside the past and through globally integrated business operations has created a dual economic structure in which national economies play only a secondary role. The senior executives are influenced in their decision making by regional politico-economic tensions and the determination of prices and profits is an administrative function. The Australian trade union movement, indeed all nation based organisations, is confronted by/trans-Pacific industrial relations system in which multinational employers control the logistics or what may be called the central nervous system. The acceptable modus vivendi between multinational firms with their Pacific basin strategies and dissident Australian trade unions, concerning

69. D.C. Thomson, (Ed.), "Industrial Relations in the 1970s" The Law Book Company, Sydney 1970, p.43-54

wages, hours, leisure time, job security and amenities can only be advantageous to the former owing to their monopolisation of the knowledge industry. Trade Union leaders must determine not only the form of organisational resistance but also the substance of this campaign. Can old institutions be used for new purposes or will revolutionary innovations need to be made - worker enterprises, industrial democracy, transnational unionism.

The Australian Conciliation and Arbitration Act was passed in 1904 against the wishes of employers primarily to guarantee through the processes of registration the right of trade union organisation. Through a system of industrial regulation organised labour was provided with a legitimate forum in which they could argue for a 'living wage' without having to resort to the type of disastrous strikes which plagued the States in the 1890s. This legal recognition of Trade Unions however brought a rigidity to the form of industrial conflict. The traditional anti-elitist attitude of union leaders was reinforced by the vested interests of office holding. Throughout Australian Trade Union history there has been a chronic lack of unity - the Australian Council of Trade Unions was not established until 1927, the Western Australian Federation of Trade Unions did not join the A.C.T.U. until 1949 and Australia's most important union (historically) the Australian Workers' Union did not become a permanent member of the A.C.T.U. until the mid 1960s. Australian unions evolved according to five basic forms. The older and now virtually defunct craft unions which comprised those workers with the same training and skill such as in the building trades - bricklayers, plasterers, plumbers and carpenters. The occupational unions which comprised sub-tradesmen or semi-skilled workers in a variety of industries. For example the Electrical Trades Union, Sheet Metalworkers Union and Amalgamated Engineering Union. The company unions which centre on one enterprise such as The Australian Broadcasting Commission Staff Association, the A.M.P. Society Staff Association and the Commonwealth Bank Officers Association. More recently the industrial unions where the aim has been to organise all workers within a certain industry such as the Australian Railways Union, the Tramway Employees Association and the Australian Meat Industry Union. Finally the general unions which cover all workers regardless of occupational or industry differences.

Examples would be the Australian Workers Union, the Federated Miscellaneous Workers Union and the present 180,000 strong Amalgamated Metal Workers Union. Despite the official policy of the A.C.T.U. to promote industrial and general unions, the progress of amalgamation has on the whole been very slow.

Australia is perhaps the most unionised country in the world. According to the Commonwealth Bureau of Census and Statistics for the period 1966-73, Union membership varied from a high of 53 percent of wage and salary earners in 1966 down to 50 percent in 1969 and back to 53 percent in December 1972.⁷⁰ The equivalent figures for other industrialised countries in 1969 were: Britain 40 percent, Japan 35 percent, West Germany 28 percent, Canada 26.6 percent and the U.S.A. 23 percent.⁷¹ However, these figures are deceptive. Whereas foreign unions are small in number and highly organised power groupings the Australian 2,524,000 trade unionists are divided into over 300 separate unions. Only 140 unions have members in more than one State, 152 representing 84 percent of unionists are registered with the Commonwealth Conciliation and Arbitration Act, while 195 unions had a membership of less than 2000. Thus a disproportionate number of industrial disputes have related to demarcation matters.

Recently, Mr. Justice Staples of the Commonwealth Conciliation and Arbitration Commission, commented on the desirability of amalgamation of unions in the maritime industry. Australian ships have unnecessarily divided crews because of affiliations to the seven maritime unions. In this case, the Australian National Line was in dispute with the 'Marine, Cooks, Bakers and Butchers Association of Australia' over a claim for the construction of a duty mess for cooks. The judge stated "I find it difficult to see how one can see merit in a decision making process whereby in a crew of 30 men on a ship two or three men, depending on the union to which they belong, can take a decision to refuse duty and effectively thereafter to hold up a ship without the balance of the crew and the members of other unions having any part to play whatsoever in the arguing out of the merits of the decision, in the making of the decision, or in the revoking of the decision."⁷² These

70. Neil Swancott, The Australian Financial Review, 24/7/73

71. J.E. Isaac, & G.W. Ford, Australian Labour Relations, Sun Books, Melbourne 1969, p. 97.

72. James V. Ramsden, The Australian Financial Review, 18/8/75

words are universally relevant to the Australian trade union movement of past and present.

What is interesting for the future is the context in which Mr. Justice Staples - considered one of the more progressive Judges - placed his remarks. Amalgamation was encouraged not only as being in the interests of both employees and employers, but also because the labour movement had played a substantial part in having the Australian National Line established to break the foreign stranglehold on Australian shipping: - "the union should be elastic and flexible in the extreme to see that nothing is done either to limit the initiative of the A.N.L., to demoralise the Government which agitated for this reform, or to destroy the profitability of this (phosphate) trade." Quoting the Federal Minister of Transport, Mr. Jones, that industrial disputes were the most significant cause of the 40 percent increase in A.N.L. freight rates, the Judge concluded "what the maritime unions must keep in mind at all points when the question of withdrawal of labour arises is the presence of competing means of transport offered to shipping, by road, rail and air within Australia and by overseas ships in trade beyond our shores." The explicit implication is that continual withdrawals of labour may jeopardise the economic viability of the A.N.L. and thereby bring unemployment to union members. The implicit implication is that union members should gear their industrial actions regarding wages and conditions to the profitability of a Government enterprise which is uneconomic and not competitive in relation to multinational shipping lines. In 1974, Japan imported 27 million tonnes of coal and 67 million tonnes of iron ore from Australia, none of which was carried in Australian ships. The Managing Director of the new Japan Steel Corporation, Saburo Tabe, explained that A.N.L.'s freight rates were almost 50 percent more than those charged by international ships.⁷³ Thus while amalgamation may ease the present A.N.L. profitability problem it does not answer the fundamental question facing trade unions - how best to serve the interests of their members? What is the plan of march, and in what organisational form shall the union confront the power of the multinational firm.

But first let us be quite clear of what we mean by

73. Karl Wilson, *The Australian*, 18/9/75

'the trade unions' and 'the interests of their members'. In the Australian context we mean the A.C.T.U. and the various State Trades and Labour Councils, representing unionists collectively, not the sectional interests of specific unions no matter how large such as the A.W.U. and the A.M.W.U. By interests we mean the implementation of the standard setting conventions of the United Nations Organisation and the International Labour Organisation - particularly the U.N. Covenant on Economic, Social and Cultural Rights, 1966 (specifically Part III, Articles 6-15 inclusive) and the I.L.O. Employment Policy Convention 1964 (specifically Articles 1-3 inclusive). Whilst all sorts of wondrous schemes - from a Fidelist revolution to a Corporate State - are theoretically possible, the union movement must work within certain politico-economic parameters. The realities require continual re-emphasis; a dual economic system - one^a/rapidly strengthening intergrated trans-Pacific multinational firm based economy and the other a steadily weakening and indeed disintegrating national economy; and a potential multinational firm inspired investment strike wherein the capital for the development of Australia's raw materials and for the continued technologisation of our key export industries, is simply not available. The question is not the control of multinational firms whether by governments or by unions - that is clearly impossible for a peripheral society like Australia - nor the reconciliation of the dual economic system - this is prevented by persistent international inflation and growing national structural unemployment. Rather the aim of the Australian trade union movement can only be to alleviate the worst excesses through new forms of action. Three concepts have in recent years received much attention in trade union circles - worker enterprises, industrial democracy and transnational collective bargaining.

Since 1970 the A.C.T.U. has become involved, or let it be known that it intends to become involved, in retailing, travel, leisure, insurance, homes and land, and finally petrol sales. Bob Hawke explains their purpose as not the making of a profit but the providing for unionists and their families of good quality goods and services at the lowest possible prices. Thus worker enterprises should not be compared to normal business enterprises whose major concern

is the maximisation of profit. They are more akin to consumer co-operatives. Nevertheless traditionalists within the trade union movement have argued that workers enterprises are merely glamorous commercial ventures and distract from the primary union function of pressing for better wages and conditions. On the other hand the radicals suggest that worker enterprises either delude workers into thinking they can beat the capitalists at their own game, or divert union energies into areas which facilitate the dissipation of the class struggle. Neither group appears to understand the extent to which union members rely on the social welfare agencies of the Federal Government. A Fraser Liberal Government may well drastically alter this situation and it is therefore vital that the A.C.T.U. and State Labour Councils acquire some business experience in order to provide future services for those union members at the bottom of the pile. It is within this context that the A.C.T.U. ventures must be understood.

Inspired by West German and Israeli union enterprises success, the A.C.T.U. envisaged nation-wide Bourke stores, New World Travel holiday camps and tours, Lend-Lease houses and hotels and more recently nation-wide Solo cut price petrol services. However the reality has been disappointing. The insurance and housing schemes never got off the ground for lack of suitable partners. The A.C.T.U.-New World Travel venture, established in a partnership with T.N.T. in May 1973 has run into financial problems. The only partial successes have been Bourke's and the Storeman & Packers hotel, R.J. Hawke. The entry into retailing in 1970 did at least force manufacturers and retailers such as Dunlop Australia to abandon their resale price maintenance practices. Finally the A.C.T.U. has run into considerable flak concerning its cut-price petrol activities. The NSW Transport Workers Union banned deliveries and the Royal Commission on Petroleum revealed that the Federal Government's approved price for crude oil had been exceeded. Worker enterprises require skilled and competent worker managers - this form of union action is accompanied by new responsibility. As the Editorial of the Financial Review pointed out: "For an organisation with 1.7 million members who in this instance are effectively shareholders, the A.C.T.U. has so far disclosed very little about its business

activities....The A.C.T.U. is a strong proponent of disclosure by companies such as B.H.P. and G.M.H. at the Prices Justification Tribunal and the Trade Practices Commission. As such it ought not to shrink from disclosing its own affairs."⁷⁴

The second concept is commonly known as industrial democracy or worker participation in management. As was pointed out in our introduction this form of union action is pushed very strongly by John Ducker, Assistant Secretary of the N.S.W. Labour Council. It is derived from the 25-year old West German co-determination programme which seeks to change the traditional roles of employer and employee. The best example of its operation is the West German coal and steel industries where it is operated on a 50/50 basis. In German company law there is a Supervisory Board which sets broad policies and a Management Board which carries out the policies almost autonomously. A typical steel company Supervisory Board might consist of 21 members; 10 represent the shareholders and the financial community principally the Banks; and 10 represent the workers - 4 actual employees of the company, 2 from the steel industry union, 2 from the German equivalent of the A.C.T.U. and 2 nominated by the unions to represent the general public. The twenty-first member is usually a neutral who has a casting vote on any deadlock dispute should it be required. On the Management Board there are 5 executive directors - the technical, marketing, financial, research, and labour directors. The five are elected by the Supervisory Board on a straight vote. However, the labour director is vetoed if a majority of workers vote against him. The reason is that the labour director is a key figure since he acts as a conduit through which workers share in the management of the company. The labour director presides over not only a personnel department but also training, social, general administration, salaries and pay, worker housing, medical, and public relations departments.

The Management Board meets once a week to discuss company progress, forward plans and to make general management decisions. The deliberations are then submitted to a group of worker delegates who have been elected directly from the factory and office floors through the Works Council

74. The Australian Financial Review, 4/9/75

System. Each plant in a company has a Works Council and usually the Chairman and Vice-Chairman are its representatives in the group of worker delegates. The worker delegates are all skilled tradesmen and are entirely separate from the 10 workers on the Supervisory Board. Moreover they are freed from work responsibilities during their period of office and paid to represent the workers who elected them.

From the Management Board's submission to the group of worker delegates there are two streams of decision making. The first involves consideration by the respective Works Councils who exchange information with the next layer down that is the shop stewards who are in every section of the various plants and offices. The Shop Stewards in turn brief workers and office staff. The second concerns the 23 Specialist committees on which both workers and management are represented and which usually deal with questions of staff planning, retraining and pensions, accidents and plant safety, sports, culture and welfare, house allocations as well as salary determinations.⁷⁵

The merit of this type of union action lies in the fact that the worker identifies himself with the enterprise in which he works. In a democracy workers not only want job security, an equitable distribution of income, equal opportunities for advancement, but also to be consulted in the operations of their employment institutions. Since most people spend the most precious and healthiest years of their lives in the workplace it is important that they be seen not as objects of productive processes. Hence management needs to be of a co-operative rather than an aristocratic or bureaucratic nature. The emphasis is thereby placed not so much on production and real income but more on the social ways in which this production and income is achieved. Industrial democracy would humanise production in Australia. The union representative would no more face a conflict of interests than does the banker or lawyer who by sitting on a Board inevitably obtains information related to other business activities. In fact the union leader through a process of information and discussion learns at first hand the companies' problems and therefore is better able to negotiate on wages and other matters. For Australia, it

75. John Stackhouse, The Australian Financial Review, 13/6/7.

may provide an access to the Boards of multinational firms or at least their subsidiaries in this country. The major problems however would be the need to re-examine and change present company laws and to avoid its operation solely in the national sector economy where the response to technological change might be slowed down even further. Industrial democracy would have to be accompanied by transnational union action.

The third concept is merely an extension of national trade union collective bargaining and has been promoted extensively in recent years by trade unions in the U.S.A. During the 1960s many multinational firms transferred their plants to Latin America or South East Asia, as I have already pointed out, and according to union estimates there was a net loss of 400,000 jobs in the U.S.A. between the years 1966-69.⁷⁶ Now whilst it is comparatively easy to formulate internationally fair labour standards through the U.N. and the I.L.O., obviously the real difficulty lies in their enforcement in the non-unionised low wage countries. Hence the Americans have begun to emphasise the need for full collective agreements covering wage parities and other conditions of work between multinational firms and transnational unions. The International Chemical/^{Workers}Federation has established 25 multinational firm councils including chemical, rubber, paper and glass industries. The International Metal Workers Federation has established councils and committees for specific firms such as Ford, General Motors, Chrysler, Fiat, Renault and Volkswagen.⁷⁷ The strategy, although mainly centred on the Atlantic community at this stage, envisages an escalating three-tiered campaign. First either company wide support of a single union in one country in a dispute with a foreign subsidiary or international pressure by unions in support of a dispute with the parent company. Second multiple negotiations with a company in several countries at the same time. Third integrated negotiations around common demands which would involve company wide agreement on industrial democracy, job security, salary systems, pension programmes and retraining rights.⁷⁸ A common objective has been for the establishment of computerised data banks containing the most important collective bargaining information relating to

76. E.L. Wheelwright, "Radical Political Economy" Australian and New Zealand Book Co., Sydney 1974, p. 83

77. Charles Levinson, "International Trade Unionism" Doskin House, London 1973, p. 107

78. Charles Levinson, "International Trade Unionism" Doskin House, London 1973, p. 241

a multinational firm's structure, plant locations, joint ventures, financial statements, collective agreements, number and type of employees and comparative working conditions.

It is not known how involved Australian trade unions are in these transnational union campaigns. The Australian A.M.W.U. did send representatives to the International Metal Workers Federation three day London Conference in 1971 where the priorities for the World Auto Councils were worked out. The conference decided that for General Motors there would be a concentration on hours of work and security of employment with subsidiary issues being the reduction of working hours through a shorter week, while for Ford the emphasis would be on pension schemes over and above government payments as well as improved health and sick leave benefits.⁷⁹ What influence these decisions had on the Australian unions in the bitter G.M.H. and Ford disputes of recent years is impossible to determine. The significant point of course is that Australia is so isolated from other strong trade union countries, excluding New Zealand, that co-ordinated campaigns are virtually impossible. Co-operation could only be developed with Japan, but here cultural differences are considerable, and the U.S.A. In the latter case there is a possibility of a Canadian type relationship; "according to some observers, Canada and the United States constitute one industrial relations system. By far the majority of all unionised workers in Canada belong to organisations that are branches of so-called 'international' unions, the membership, headquarters and executive personnel of which are overwhelmingly American."⁸⁰ This is not as improbable as it may first appear, Australian unionists whether represented by the A.C.T.U. or the A.M.W.U., do not have the organisational structure, financial capacity, information or expertise to resist a transnational collective agreement between multinational firms and U.S./E.E.C. Auto Councils. We would have to accept the agreement like it or not. Therefore in reality the Australian trade union movement would be in a client relationship to that of the U.S.A. Is international unionism as a response to multinational firms worth the loss of identity. This is the Australian trade union dilemma.

79. Charles Levinson, "International Trade Unionism" Doskin House, London 1973, p. 124.

80. Stuart Jamieson, "Industrial Relations in Canada", Macmillan, Toronto 1974, p. 2.

INDUSTRIAL RELATIONS LAW: THE DILEMMA OF GOVERNMENT.

Human relationships in modern industrial societies are best delineated at the point of greatest contact that is in the place of work where the industrial apparatus is operated and developed. The imperatives of industrialisation demand a relatively ordered arrangement of men, machines and materials so as to maintain a stability of progress. Industrial relations concerns the system whereby human beings are organised into operating the industrial apparatus. Hence the two principal sets of actors are the employer (management) and the employee (labour) and the arrangements worked out by whatever means to control their relationship come to embody guiding rules of behaviour. These rules are in many forms, written and unwritten, explicit and implicit, and may cover an infinite variety of subjects, although the most common are those relating to wages, hours, discipline, welfare and physical conditions of work.

However the logic of industrial organisation - the dichotomies between profit and wage, and manager and managed (whether public or private) - presupposes conflict especially where there are continual changes in technological processes, organisational methods and economic means. Thus the industrial relations system is an institutional attempt at the resolution of conflict through the setting of guidelines under which the two parties, employer and employee, may bargain regarding the rules as to wages, hours, conditions, etc. As a result there is usually a third party involved - government - which mainly assists in setting the guidelines, but often also helps make the rules, for industrial work. Therefore, it is the total set of guidelines and rules affecting the behaviour of the three groups of actors in their relationship to one another in the industrial workplace that comprises an industrial relations system.

Industrial relations systems historically have developed along state centric ~~of~~ national lines and so governments have introduced different forms of public control. In Australia industrial relations is essentially concerned with the tripartite examination of the Federal Constitutional power, S51(35); the structure and operation of industrial arbitration (or wage board systems); and the trade unions especially with regard to strikes. Isaac and /Ford maintained that the principal reason lies in "the unduly optimistic faith in

legal processes as a means of ensuring industrial harmony"⁸¹ held by most governments - Federal or State, Liberal or Labour. Certainly the Commonwealth Conciliation and Arbitration Act 1904/1974 must be read in the light of the constitutional limits on the powers of Commonwealth Governments whereby the Parliament can only make laws for conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State, as well as the meanings which have been placed by the High Court of Australia on the various proportions of that phrase. Since 1956, the work of award making and the determination of matters arising under the Act has been shared by the Commonwealth Conciliation and Arbitration Commission and the Commonwealth Industrial Court, two separate and distinct tribunals which exercise certain specifically assigned powers. Within the Commission there is provision for a separate Presidential Session as distinct from the functions of the Commissioners and Conciliators;⁸² however, on all questions of law there must be reference to the Commonwealth Industrial Court.

The Conciliation and Arbitration Act is based on the principle of the joint participation by employers and employees operating through registered associations or organisations and unions, as the recognised bargaining units. Hence the foundation of the Act is the acceptance of the trade union as an integral part in modern industrial relations. The problem lies in the dispute as to whether or not compulsory industrial arbitration was offered to workers as an alternative to the right to strike or merely as an additional mechanism whereby workers could improve their conditions without industrial dislocation and the consequence suffering of all parties including the general public. Now strikes (and lockouts) are not illegal under the provisions of the Commonwealth Conciliation and Arbitration Act. Until 1970 both could become breaches of Awards where there had been inserted in an Award a 'bans clause'. However, in that year amendments to the Act abolished the use of injunctions and contempt provisions for dealing with strikes used to further demands in breach of an Award; whilst with the advent of the Federal Labour Government in 1972 the coercion element - known as the penal clauses - as exercised by the Commonwealth Industrial Court has fallen totally into disuse.

81. J.E. Isaac, & G.W. Ford, *Australian Labour Relations*" Sun Books, Melbourne 1969, p. 3

82. C.L. Cullen & J.J. Macken *"An Outline of Industrial Law"* The Law Book Co., Sydney 1972, p.61-62

As a result, with the increasing desire of militant unions to use collective bargaining techniques beyond arbitration in order to combat the multinational firm, a dual industrial relations system has emerged in Australia.

The first is the national system in which the Commonwealth Conciliation and Arbitration Commission can prevent or settle interstate industrial disputes relating to 'all matters pertaining to the relations of employers and employees'. The power to make an award or an order, or to certify a memorandum of the terms of an agreement are exercisable by a single Commissioner except in relation to matters such as minimum wages, standard hours of work, and long service leave, which are within the jurisdiction solely of the Commission in Presidential Session.⁸³ Thus the Commission tends to be the guardian of what may be called the minimum standards of social justice acceptable to a purportedly civilised society.

The second is a transnational system, and in Australia's case a trans-Pacific industrial relations system. It is based on both the policies and structures of the multinational firms and the collective bargaining techniques which trade unions have resorted to, at both the national and international levels, so as to obtain a greater share of the productivity cake. This concerns over award payments and other conditions beyond the national minimum standards of social justice arrived at between the parties in private negotiation. The classic example of the trend to such negotiations is the recent dispute between K. Ray McDermott (Australia) Ltd., and oil industry welders (members of the A.M.W.U.) when an offer of A\$651 a week or \$A33,852 a year, was refused. The welders demanded \$A688.50 per week where employment involved 12-hour shifts for 14 days, before a 7-days shore leave, laying pipes between two oil rigs 80 km off the coast of Gippsland. According to Mr. K. Piesse, McDermott's industrial relations manager; "the men are regarded as the top in their fields and experts in the oil business"⁸⁴ and therefore warranted this type of remuneration.

Hence governments are concerned not merely with industrial peace but also with the total economic impact on society of management-labour collective bargaining agreements

83. Orwell D.R. Foenander, "Industrial Conciliation and Arbitration in Australia" Law Book Co., Sydney 1971, p.133-4

84. The Sydney Morning Herald, 17/9/75

in both industrial relations systems. The law of the land is derived from the national political structure of government whereas the remuneration for work is often derived from the transnational economic structure of multinational business. Because the dual system is not mutually exclusive, but instead each reacts on the other to a greater or lesser degree, the Pandora's box of the proper objectives and functions of industrial relations law is the dilemma of government. Should national governments attempt to legislatively control the business activities of multinational firms and the potential industrial action of transnational unions? Or are the realities of national economic disintegration such that national governments can only negotiate with multi-national firms and powerful national unions on behalf of the smaller business enterprises and the weaker union organisations?

The interrelationship between these two perspectives as to future industrial relations law in Australia is exemplified in the government's present struggle to have the Arbitration Commission's Wage Indexation guidelines adhered to by both the trade unions and the employer associations. The emphasis currently is clearly on control. The Minister for Labour, Senator James McClelland, has attempted to have the Conciliation and Arbitration Act amended so as, among other things, to:

- 1) give the Minister the power to appeal to the Full Bench of the Arbitration Commission against consent awards or the certification of agreements;
- 2) enable the Minister to refer any industrial dispute to the Full Bench;
- 3) require single members of the Commission, and the Flight Crew Officers' Industrial Tribunal, in certifying an agreement or making an award by consent or arbitration to observe the decision and principles laid down by a Full Bench.⁸⁵

These changes would give the Full Bench the power to see that nothing is done to over-ride indexation. Moreover, their scope indicates an attempt to make the country's industrial relations laws more amenable to overall economic policy. Perhaps this is why the Manpower Committee of the Labour Caucus opposed these particular amendments while Bob Hawke

85. The Australian Financial Review, 22/8/75

is reported to have said that they were unnecessary and in the hands of a government of a different political colour, menacing.

Senator McClelland was obviously concerned about possible 'sweetheart' deals between employers and employees - such as the large wage rises in some areas of the metal trades and those given to the Postal Commission bosses and the airline pilots. Indeed, unions covering the building, meat, coal, communications, paint, oil and brewery industries are mounting strong industrial campaigns to smash the present guidelines, that is compensation for movement in the consumer price index, work value and 'catch up', surrounding indexation. Claims varying from \$9.50 a week flow on in the vehicle industry, to \$60 a week in the meat industry, as well as a full log of claims in the coal industry, have already been made.⁸⁶ Furthermore, the argument expounded by Laurie Carmichael, Assistant Federal Secretary of the A.M.W.U.: that wages should not be tied to the lowest common denominator, that is the least productive and least viable smaller companies, is appealing. He contends that most workers are employed by big companies and that in the industries for which he is responsible - including the oil industry where there has been a \$35 a week claim - the multinational firms are dominant. Hence he asserts what use is it to the Australian economy, in particular employment, for such multinational firms to ship off their profits to the U.S.A. - the American coal mining multinational Utah he claims increased its profit by \$A70-million in 9 months - rather than pay higher wages to Australian miners.⁸⁷

Thus the government is in a legislative bind and the wage indexation policy appears doomed. No matter what the merit of the oil and coal industries workers' claims they cannot be agreed to because the increases will flow on to all sections of the Australian work force with the consequent huge wage rises and inflation. In fact Senator McClelland suggests that inflation could reach 35 percent and unemployment could pass the 1-million mark if wage demands are not moderated. Nevertheless the A.C.T.U. Congress in early September re-endorsed the right of trade union collective bargaining outside the arbitration system. Therefore, when it is realised that in a dispute such as at the Monsanto

86. Andrew Clark, The National Times, 8-13/9/75

87. Andrew Clark, The National Times, 22-27/9/75

Petrochemical Project in Victoria the multinational employer loses only \$A2-million if the claims of the A.M.W.U. are granted but \$A1-million a week or \$A52-million a year because of idle capital-intensive plant if the claims are refused, the multinational firms and larger national companies will soon break the wage indexation guidelines. The government, even in the short term, will be unable to control, through the legal mechanism of arbitration the industrial policies of either the multinational firm or the militant national trade union. What then of the alternative perspective, the role as a negotiator on behalf of small enterprise and weak unionism?

This perspective for future industrial relations law in Australia pre-supposes a strengthening trans-Pacific industrial relations system. On the one hand the multinational firms operating through a 'Pacific Basin Organisation for Economic Co-operation and Development', and on the other a growing trans-Pacific trade union co-ordination. Already extensive trade union relationships exist between Australian, Chilean and Japanese union leaders. The A.M.W.U. Assistant Federal Secretary has made several visits to Japan, Federal Research Officers of the A.M.W.U. have visited Chile, whilst the second Asian Regional Conference of the International Metal Workers' Federation was held in Sydney in October 1972. Moreover, the Automotive Department of the International Metal Workers' Federation has established computerised data systems for all auto-plants in Latin America and is in the process of completing another for the Asian area. Hence, a national government's future industrial relations law will have to be directed to the dual economy - the high technology, high wage multinational economy and the service orientated comparatively low wage national economy.

The external international strategy of governments will have to concentrate on building countervailing forces to the multinational firms. Firstly, by participating in United Nations and International Labour Organisations studies into their policies and structures, and especially by encouraging the attempt to formulate a code of conduct for the behaviour of multinational firms that will have some substance in international law. Secondly, by fostering trans-national collective bargaining by Australian and foreign trade unions. This would meet with Third World - ASEAN and

Andean Bloc - approval especially if the multinationals were forced to increase their remuneration to workers in developing countries. It would be supported by unionists in the United States who agitated in 1970 for the Hartke-Burke Bill which was directed to preventing the export of capital and technology from the U.S. and hence the loss of jobs caused by the world-wide sourcing by multinational firms.⁸⁸ Again it might help to alleviate the threat of a potential multinational firm inspired investment strike against Australia - Sir James Foots, Chairman of Mount Isa MIM Holdings, claims that already over \$A8000-million in mining projects have been shelved owing to the Federal Labour Governments policies⁸⁹ - by making foreign investment prospects in other countries relatively less attractive from the low wage point of view.

Finally, in order to prevent the development of big business symptoms - the desire merely for international growth and executive power - within transnational union structures, national governments should be encouraged to adopt policies similar to those advocated by the special Canadian federal government 'Task Force on Labour Relations' in December 1968 and the Canadian Labour Congress (C.L.C.) in May 1970. Both bodies were concerned to achieve greater Canadian union autonomy from U.S. based International Unions to which Canadian unions were affiliated. The Task Force stated: "For most individual international unions four important criteria can be stated as guidelines to judge whether full opportunity is being accorded the Canadian membership to handle its own problems. First, there must be a central Canadian office authorised to speak for the union in this country. Second, the Canadian membership must elect the top Canadian officers either directly by a referendum vote or indirectly by representative convention or caucus vote. Third, there must be a Canadian policy conference employed to deal effectively with the union's affairs in this country. Fourth, a competent staff must be available to serve the special needs of Canadian members"⁹⁰ The C.L.C. reiterated these sentiments in adopting three minimum standards for its American based affiliates; these

88. E.L. Wheelwright, "Radical Political Economy" Australia & New Zealand Book Co., Sydney 1974, p. 83.

89. Sir James Foots, The Australian, 19/9/75

90. Task Force on Labour Relations, Canadian Industrial Relations, Privy Council Office, December 1968, p. 107

were "election of top Canadian officers by the Canadian membership; granting them decision making authority in Canadian affairs; and providing services appropriate to Canadian conditions."⁹¹ By such means transnational unionism would be more geocentric in attitude and would not fall into a U.S. ethnocentric pattern.

The internal domestic strategy of governments would be directed toward the protection of small businesses and weaker unions outside the trans-Pacific industrial relations system. Future industrial relations law in Australia would be two-tiered. Firstly, the use of the Prices Justification Tribunal and the Restrictive Trade Practices Commission to force the public disclosure of multinational subsidiaries' dealings within Australia; as well as the use of the Arbitration Commission to force public disclosure of transnational union collective bargaining agreements - S.31 of the Commonwealth Conciliation and Arbitration Act. Secondly, the use of the Australian Industries Assistance Commission to formulate progressively a more coherent industrial policy which would be geared towards the long term objective of having smaller enterprises service the multinational firms. By a greater emphasis on forward looking measures designed to encourage research and innovation as well as greater efficiency and productivity in key industries, these small firms - or as Perlmutter calls them 'little fishes' - would "enjoy the advantages of specialisation, of great speed of decision making, and of adaptability because of their size and closeness to customer needs."⁹² Finally, by continuing the policy of wage indexation through the Arbitration Commission, and by accelerating worker retaining programmes similar to the R.E.D. Scheme, but on a permanent basis, medium term structural unemployment could be considerably mitigated during the rationalisation of the national economy. The initial and medium term disparities in wage rates it is true would be comparatively great, but that is inevitable anyway given the present conflicting dual economic system. However, in the long term the complete integration of the national economy into the multinational economy under some form of world regulation of multinational firms and transnational unions, would result in far less institutional dislocation and consequent suffering within Australia as

91. Stuart Jamieson, "Industrial Relations in Canada" Macmillan, Toronto 1974, p. 52.

92. Business International S.A. "Managing the Multinationals" George Allen & Unwin, London 1972, p. 113

well as in other Pacific countries.

To conclude there are two areas which warrant immediate Federal Government attention. Firstly, the 'National Small Business Bureau' should be radically transformed into a high powered assistance agency. According to Professor Geoffrey Meredith, Head of the Department of Accountancy and Financial Management at the University of New England, Armidale, even in normal times small businesses are vulnerable because they lack a collective voice, easy access to underpinning finance, and experts to advise them on management and marketing techniques. Hence it is not surprising that in the first 7 months of 1975, 878 companies have been wound up. As Wallace Crouch points out "the most disquieting of these statistics are the high numbers of companies voluntarily going into liquidation - 102 in May, 101 in June, 115 in July, at least double the monthly average in the previous 18 months"⁹³ Thus when you consider that Australia's 250,000 plus small businesses - independently owned, possibly by one to three people and often by a family - employ about 40 percent of the work force - almost 1-million in the retail and service industries - there should be a national policy at all levels for their benefit. Professor Meredith suggests immediate legislative reforms regarding payroll tax, tax on undistributed profits and the illegality of bulk buying under the Trade Practices Act, to assist the small businessman. Moreover, in the short term, there should be a new programme established similar to those in the U.S.A., where the American Small Business Administration (a statutory body), has a staff of 45,000 in 91 centres throughout the country; and in Japan where 1000 small business advisers are trained each year.⁹⁴

Secondly, close attention should be paid to the British Trade Union Congress decision in 1972 to endorse worker participation in company decision making (industrial democracy). In 1974, the General Secretary of the Transport and General Workers Union, Jack Jones, persuaded the T.U.C. to adopt a paper which called for:

- 1) the establishment of a German style two-tier board structure in all companies employing more than 2000 workers, with the top tier or Supervisory Board

93. Wallace Crouch, The Sydney Morning Herald, 26/8/75

94. Wallace Crouch, The Sydney Morning Herald, 27/8/75

- determining company objectives and appointments to the Management Board;
- 2) worker representatives to have half the Supervisory Board seats, such representatives to be elected through trade union machinery 'normally' (though not necessarily) at company or combine level;
 - 3) a new Company's Act requiring companies to have regard for the interests of workers as well as shareholders, and authorising directors not to be bound by the interests of shareholders.⁹⁵

In August 1975, the British Labour Government established a Committee of Enquiry with the responsibility of reporting within a year on a British worker director formula.

Thus it is not beyond the realms of possibility that within several years British Company Law will be drastically changed. Already it is rumoured that tough new laws on corporate information disclosure would be introduced later this year. An Employment Protection Bill, which places a duty on employers to disclose to unions a range of information needed for effective collective bargaining and provides an early warning system for unions where redundancies are being considered. Also a new industry Bill which will force the disclosure of information relating to the future plans of a company and include persons employed, capital expenditure, (current and planned), output and productivity statistics and export performance.⁹⁶ These changes may well be worth introducing into the national industrial relations system in Australia.

CONCLUSION:

American and Japanese multinational firms view the southern hemisphere, including Australia, in a satellite perspective - that is as a supplier of both raw materials and markets. A dual industrial relations system exists in the Pacific Basin: one based on sophisticated technology and high remuneration, the other on service industries and low remuneration. In Australia because of a soaring wages bill and an unsympathetic Federal Labour Government foreign investment in the manufacturing and mining sectors has declined as the Americans and Japanese multinational firms

95. Tony Maiden, The Australian Financial Review, 9/9/75

96. Tony Maiden, The Australian Financial Review, 10/9/75

look to Asia and Latin America for better opportunities. The Pacific Basin strategy of multinational firms, whether geocentric or ethnocentric places increasing pressures on all unions, domestic-home and foreign-host, such that new responses have emerged. The American unions are becoming more political and encouraging transnational union solidarity. The Japanese unions are beginning to question their overwhelming enterprise affiliations. The Latin American and Asean unions, plagued by military dictatorships, are trying to form coalitions with disaffected elements of the local business community. The Australian unions, with a sympathetic Federal Labour Government, have discovered that political action other than on a national or transnational basis is ineffective against multinational firms organised globally. Increasingly discussion reverts to the new forms of union action, worker enterprises and industrial democracy.

Governments are beginning to realise that industrial relations law is not just confined to labour legislation, or in Australia's case the Commonwealth Conciliation and Arbitration Act, but involves the whole politico-economic matrix related to the employer/employee environment. The Federal Labour Government's Wages Indexation policy, the Federal Opposition's Industrial Relations Bureau proposals, and the A.C.T.U.-Solo cut price petrol activities are all front page news. With unemployment a post depression record at over 5 percent and inflation soaring at approximately 15 - 17 percent depending on your source, industrial relations law has become the central issue for our society. However, it is no longer a purely parochial matter. Both the Labour and Liberal Parties acknowledge that business confidence is crucial if there is to be any permanent economic recovery. This of course involves investment incentives which not only encourage small business but also assist the multinational firms which appear to be the only institutions capable of generating sufficient capital for Australia's development purposes.

Therefore, future industrial relations laws will have to take into account the activities of four factors; the multinational firm and transnational unions, small businesses and local unions. As the world becomes more and more integrated economically, industrial relations rapidly assumes a transnational character. Australia as a small isolated and

peripheral economy cannot join a regional grouping such as the European Economic Community, and hence is locked into the American-Japanese Pacific Basin system. Laws with regard to the employer/employee relationship should attempt to alleviate the excesses of multinational firms, encourage transnational union collective bargaining, assist economically local business firms, and finally foster union participation in management decision making. The real battle for the welfare of mankind has been transferred to the global stage. National governments can but work for international regulation of multinational firms through such institutions as the United Nations and the International Labour Organisation. Purely domestic legislation, especially in Australia, runs the great risk of being counter productive; frightening off badly needed foreign investment, crippling local business enterprise, embittering substantial sections of the trade union movement and confusing the ordinary man in the street. Whilst laws facilitating transnational unionism and industrial democracy are essential for an industrial relations system which purports to be humane, just, and democratic, the multinational firm as far as Australia's future prosperity is concerned is here to stay and we are just going to have to learn to live with it.

B I B L I O G R A P H Y

- AARON, BENJAMIN & WEDDERBURN, K.W. (ED.); "Industrial Conflict" A Comparative Legal Survey; Longman London, 1972
- ABRAHAM, J.M.; "Origins and Growth of Sociology" Penguin Books, 1973.
- ADAMS, T.F.M. & KOBAYASHI, N.; "The World of Japanese Business"; Ward Lock Ltd., London 1969.
- ARON, RAYMOND; "Progress and Disillusion: The Dialectics of Modern Society"; Penguin Books, 1972
- AUBERT, VILHELM (ED): "Sociology of Law", Penguin Books, 1972.
- BROOKE, MICHAEL Z. & REMMERS, H. LEE; "The Strategy of Multinational Enterprise"; Longman, London 1971.
- BANNOCK, GRAHAM; "The Juggernauts"; Penguin Books, Middlesex, England 1973.
- BUSINESS INTERNATIONAL S.A.; "Managing the Multinationals" George Allen & Unwin, London 1972.
- CRYSLER, A.C.; "Handbook of Employer-Employee Relations in Canada"; CCH Canadian Ltd., Ontario 1969
- CULLEN, C.L. & J.J. MACKEN; "An Outline of Industrial Law", The Law Book Co.Ltd., Sydney, 1972
- DICKSON, DAVID; "Alternative Technology" Fontana/Collins, Glasgow 1974
- DOUGLAS, FOGER; "Social Aspects of Law: An Australian Perspective"; 'Heinemann Educational Australia' Victoria 1973.
- DRUCKER, PETER F.; "The Practice of Management" Pan Books, London, 1971
- FOENANDER, ORWELL D.R.; "Industrial Conciliation and Arbitration in Australia" The Law Book Co., Sydney 1971.
- FOSTER, WILLIAM Z.; "Outline History of the World Trade Union Movement"; International Publishers, New York, 1956
- GUNTER, HANS (ED); "Transnational Industrial Relations" Symposium International Institute of Labour Studies, Geneva, 1973.
- GALBRAITH, JOHN KENNETH; "The New Industrial State" Penguin Books, 1975.
- GOODRICH, LELEND M & KAY, DAVID A. (ED) "International Organization Politics and Process" Uni.of Wisconsin Press, 1973
- HUTT, W.H.; "The Strike-Threat System" Arlington House, New Rochelle, New York, 1973
- HESSION, CHARLES H.; "John Kenneth Galbraith & His Critics", Mentor Books, London, 1972
- HALIDAY, JON & McCORMACK, GAVAN: "Japanese Imperialism Today" Penguin Books, 1973.

- HARARI, EHUD: "The Politics of Labor Legislation in Japan"
University of California Press, Berkeley, 1973
- ISAAC, J.E. & FORD, G.W.: "Australian Labour Relations
Readings" Sun Books, Melbourne, 1971.
- JAMIESON, STUART: "Industrial Relations in Canada"
Macmillan Co., Canada 1973
- JOHNSON, E.L.: "An Introduction to the Soviet Legal System"
Methuen & Co. Ltd., London, 1972.
- LEVINSON, CHARLES: "International Trade Unionism" Doskin
House, London 1973.
- LICHTHEIM, GEORGE: "Imperialism" Penguin Books 1974
- LIPSET, SEYMOUR MARTIN: "The First New Nation" Heinemann,
London, 1964.
- MILLS, DEVAN (ED): "Australian Management and Society 1970-85"
Penguin Books, 1971
- MARTIN, JAMES & NORMAN, ADRIAN R.D.: "The Computerized Society"
Penguin Books, 1973
- MORELL, JAMES: "Management Decisions and the Role of
Forecasting" Penguin Books, 1972
- OKOCHI, KAZUO; KARSH, BERNARD; LEVINE, SOLOMON B. (ED);
"Workers and Employers in Japan" University of Tokyo
Press, 1974
- PERROW, CHARLES: "Organizational Analysis"; Tavistock Pub.
Great Britain, 1970.
- PLAYFORD, J & KIRSNER, D. (ED): "Australian Capitalism"
Towards a Socialist Critique; Penguin Books, 1972
- POSTMAN, NEIL & WEINGARTNER, CHARLES: "Teaching as a
Subversive Activity" Penguin Books, 1972
- PRYOR, FREDERIC L: "Property and Industrial Organization in
Government and Capitalist Nations" Indiana University
Press, Bloomington, 1973
- REYNOLDS, LLOYD G: "Labor Economies & Labour Relations"
Prentice Hall, New Jersey 1974
- SCHUMAKER, E.F.: "Small is Beautiful"; Abacus, London 1973
- SCHUR, EDWIN M: "Law and Society: A Sociological View"
Random House, New York 1968
- TASK FORCE ON LABOUR RELATIONS: "Canadian Industrial Relations"
Privy Council Office, December 1968
- THOMSON, R.C.: "Industrial Relations in the 1970s" The Law
Book Co., Sydney 1970
- TOFFLER, ALVIN: "Future Shock"; Pan Books, London, 1972
- TSUNEISHI, WARREN M: "Japanese Political Style"; Harper and
Row, New York, 1966
- TUGENDHAT, CHRISTOPHER: "The Multinationals", Penguin Books,
Middlesex, England, 1974

VERMEESCH, R.B. & LINDGREN, K.E.: "Business Law of Australia"
Butterworths, Sydney 1974.

WHEELWRIGHT, E.L.: "Radical Political Economy" Collected
Essays; Australian & New Zealand Book Co., Australia,
1974.