

# CURRENT CAPITALIST ECONOMIC CRISIS

Asia-Pacific Region  
and Working Class



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0.1 The 16<sup>th</sup> World Trade Union Congress (WTUC) is being held at Athens, Greece on 06-10 April, 2011 in the background of unprecedented crisis of capitalism as a result of failure of neo-liberal economic order under imperialist globalization. The deliberations of the 16<sup>th</sup> WTUC will have to be carried out and future political-organizational tactics must be worked out with the clear political understanding that capitalism is not going to re-emerge in the shape as it was prior to the outbreak of the crisis. Further, the crisis is going to be prolonged and deepening as they are seeking to find solution to the crisis within the frame work of the same market driven neo-liberal doctrine.

0.2 The other important feature of the WTUC is that since the Havana Congress, the WFTU began a new journey through the path of Class Struggle and during the intervening period the WFTU has made immense progress in strengthening its ideological understanding. The organization has been relentlessly propagating and practicing the correct ideological understanding of Class Struggles. The main document being placed by Comrade George Mavrikos, General Secretary, WFTU has vividly dealt with the developments of the period.

## **1.0 The Collapse of Imperialist Globalisation**

1.1 The most important event of the period since the Havana congress of WFTU is the collapse of the neo-liberal economic policies pursued under imperialist globalization scripted by the imperialist forces, imposed on the developing countries under the dictates of World Bank, IMF and WTO, and executed by the Governments of developing countries, including in Asia and the Pacific, subservient to imperialist pressures. The neo-liberal economic policies in general and the privatisation panacea and deregulation of financial sector in particular, have ultimately pushed the world into the current economic crisis leading to continuously deepening market stagnation. Thus we can say assertively that the opposition to the neo-liberal policies of globalization, liberalization and privatization by the working class all over the world has been totally vindicated.

1.2 On the occasion of the 16<sup>th</sup> Congress of the WFTU we must recall that while the Governments of the capitalist class have been busy bailing out the crisis ridden capitalist business class with stimulus packages from public funds, the WFTU has been engaged in stimulating the anti-imperialist working class struggles against the move of the governments to impose the burden of the crisis on the toiling people. Here lies the uncompromising need for vigorously pursuing the path of class struggle.

1.3 It is necessary to note that the neo-liberal regimes were never crisis-free. Because, one after another economic crises have been exploding, ever since the introduction of the neo-liberal economic policies, dictated by the imperialist forces. Way back in June 2008 the Director General of ILO in his report to the 97<sup>th</sup> International Labour Conference at Geneva, dealing with the worldwide economic crisis erupting in the market economies noted, *"Since the 1970s over 100 systematic financial crises of various kinds have been recorded. Since 1997 we have experienced the Asian crisis, followed by crises in the Russian Federation, Turkey, Brazil and Argentina, the bursting of the "dot-com" bubble in 2000 and now the sub-prime mortgage crisis in the United States and its reverberations throughout the world. That is a lot in just ten years and suggests that there are fundamental imbalances in the mechanisms of the new global economy that need attention."*

1.4 However it is very important to note that most of the crises over the past decades have had their roots in developing and emerging countries, often resulting from abrupt reversals in capital flows, particularly as a result of blackmailing by FIs. In contrast, the present crisis has so many ramifications mainly because it is occurring in the very core of capitalism, and originated in the USA, the country that had the global power and influence to impose its own economic policy model on almost all of the rest of the world.

1.5 According to an observation made by the International Labour Organisation (ILO), *"This crisis was preceded by growing imbalances in the way globalization unfolded, notably a protracted aggravation of income inequalities amongst and within countries. Moreover, the crisis occurred in a context of a dominant policy vision that overvalued the capacity of markets to regulate themselves, undervalued the role of the State and devalued the dignity of work, respect for environment and the delivery of public goods and social protection."* The orchestrated campaigns that markets know best and that self-regulation is the best form of financial regulation have now been completely exposed as fraudulent.

## **2.0 Brief Demographic Account of Asia-Pacific Region**

2.1 The countries of the Asia and Pacific region have a wide range of natural resources, varying levels of economic development and rates of growth, diversity in population levels and dynamics and different degrees of social development. For example, in terms of population, the region has two of the world's most populous countries, China and India and some of its smallest countries among the island nations of the South Pacific.

2.2 Further diversity of the region has to be traced in the fact that it

has the industrialized countries such as Japan, South Korea, Australia, New Zealand etc. And there are also the so called 'Asian Tigers'; the emerging India and the other ASEAN nations. Of course it is of paramount importance to take note of the emergence of China as a very powerful economic power in the current world economic scenario. Today the Asia-Pacific accounts for 36 per cent of the world economy. Of course within Asia over 65 per cent of the GDP comes from three countries – China, India and Japan. According to a study, *“since 1980, some 400 million Chinese people have transcended the poverty line.”*

2.3 It is estimated that by 2030 the Chinese middle class is expected to exceed 600 million. In numerical terms this will be largest middle-class group in the world, comprising the world's third largest consumer market. India will be the fifth largest market in the world with 520 million consumers. It is this demographic transformation of 1.5 billion Asian middle-class consumers that will fuel global economic growth.

2.4 Of course high levels of poverty and inequality also continue to grow in the region. South Asian countries such as Bangladesh, India, Pakistan and Sri Lanka are characterized by high population levels, very low per capita income, a high incidence of poverty and significantly depressed human development indicators, such as low literacy rates, high infant mortality, low life expectancy and a substantial burden of preventable diseases. Almost 90 per cent of the population live in rural areas and depend upon agriculture for their sustenance. *“Out of approximately 1.2 billion people in the world that is estimated to be living under a dollar a day consumption, roughly two-thirds of them live in Asia and the Pacific, particularly in South Asia.”* (FAO).

2.5 Asia and the Pacific are still the home to the largest number – more than 50 per cent – of people, both rural and urban, without basic sanitation, of under-5 children who are underweight, of people infected with TB, and of rural people without access to clean drinking water. (UNDP). According to the UN and the ADB as a consequence of the economic crisis an additional 21 million people in Asia and Pacific shall come in the category of extremely poor.

### **3.0 The Economic Crisis and Asia-Pacific Region**

3.1 The global economic crisis has indeed affected developing Asia adversely and some countries have been especially badly hit. Almost all developing countries in Asia-Pacific region adopted an export-led growth route. The foreign MNCs established manufacturing facilities in the region taking advantage of lower cost of production as a result of severe

exploitation of cheap labour taking undue advantage of the vast pool of surplus agriculture labour which migrated to the new factories established by foreign MNCs, either fully owned or in joint venture with indigenous private capitalists. Behind the background of grim tale of exploitation of labour, products of the region remained 'internationally competitive' and captured the market of the West while the domestic market remained suppressed and deprived.

3.2 Now with the outbreak of the economic crisis which has its epic centre in the USA and impacted the rich countries of Europe, the exports have dried up and created ripple effects in reduction in intra-region trade. *"Foreign demand for this region's exports fell sharply as the deeply inter-connected world economy began to show signs of having entered a dangerously downward spiral: recession or low economic growth, falling commodity prices, raising unemployment, falling stock markets... The fall in demand has resulted in unsold stocks piling up, higher excess capacity and signs of deflation."* (Anwar Nasution 2010) Now with the post crisis global market stagnation, flow of overseas capital in the region has also declined heavily.

3.4 Although the impact of the economic crisis on the financial sector of the region was somewhat limited due to various factors, including successful opposition by the working class to the move of the ruling polity to open up the financial sector, the crisis was severe on what is called the 'productive economy' of manufacturing sectors, services and agriculture because of the high dependence on exports.

3.5 Now as a consequence of the global economic crisis, economic growth in the Asia and Pacific region declined to 5.1% in 2008, down from 8.0% in 2007 (IMF World Economic Outlook Database April 2009). Interestingly Asia's developing economies suffered less than the region's industrialized economies. In developing Asia, growth declined to a still robust 7.7% in 2008, down from very rapid growth of 10.6% in 2007, while, in the region's newly industrialized economies, growth slowed to 1.5%—less than one third the rate of 5.7% achieved in the previous period. And growth in Japan plunged to -0.6% in 2008, down from 2.4% in 2007. Thus Asia's developed economies have experienced the largest shock to economic growth. The developed economies of Japan, Australia, and New Zealand are, together, projected to shrink by 5.4%. The export-dependent Southeast Asia and Pacific sub-region is projected to shrink by -0.7%, with a steep decline of -10% forecast for Singapore, -7.5% for Taipei, -3.5% for Malaysia, and -3% for Thailand. (Phu Huynh and Associates-2010).

3.6 However, the Chinese phenomenon is very interesting. As a result



of the serious stagnation in the US and EU markets, Chinese export will be effected adversely but according to projections it will continue to grow slowly. Also its share in the world export markets will continue to increase. The projection made by none other than the IMF indicates that China's exports will account for 12% of world trade by 2014. According to available data from studies, China's exports fell by around 17% in 2009 as a whole, but since the fall for other countries is even more, China secured a better comparative position and has become world's largest exporter and its share reached to almost 10%, up from 3% in 1999.

#### **4.0 The Onslaught on Employment and Rising Poverty**

4.1 Job losses as a result of the economic crisis all over the world and particularly in the highly export dependent economies of the Asia-Pacific region have been the hardest hit. The number of jobless worldwide reached nearly 212 million in 2009 following an unprecedented increase of 34 million compared to 2007 on the eve of the global crisis. As per ILO estimates, *"the number of unemployed workers in Asia and the Pacific rose by 4.4 million in 2008, to 90.3 million, or to 4.8% of the labour force (ILO 2009). Given the continued crisis, the ILO projection is that the number of unemployed in Asia, compared to 2007, would increase by a range between 9 million to 26 million with a corresponding unemployment rate of between 5.0% and 5.9%.*

4.2 *However, the issue is not just open unemployment but vulnerable employment, underemployment and a rise in the number of working poor as income shrinks. Vulnerable employment has been defined as "the sum of own-account workers and unpaid family workers."*

4.3 According to ILO estimates 1.09 billion workers, 60.7% of all workers in the Asia Pacific region were classified as being in vulnerable employment in 2008 and had projected to accelerate further with deterioration of the economic situation and could further increase by 64 million, an increase of 6%.

4.4 Job-losses and joblessness amongst the young generation are acute. The number of unemployed youth worldwide increased by 10.2 million in 2009 compared to 2007. This is the largest hike since 1991. In South-East Asia and the Pacific region, young people remain far more vulnerable with the region's youth unemployment rate reaching 15.3 per cent in 2009, compared to a rate of only 3.4 per cent for adults. Young workers already faced huge scarcities for decent and productive jobs prior to the economic crisis and the situation for youth has worsened as a result of the economic downturn. (ILO) According to a study unemployment has indeed risen in the

industrialised countries of the region affected by the capitalist economic crisis such as Japan – (+26%), South Korea (+18%), Singapore (+73%) and Thailand (+28.7%)

4.5 Even in 2007, a year of so called robust growth in Asia, an estimated 890 million workers in the region lived with their families on less than US\$2 per day, with 420 million of them living in extreme poverty of less than US\$1.25 per day. Sub-regional figures put this massive challenge in perspective. In South Asia, the number of workers living on less than US\$2 per day was 15 times greater than the number of unemployed. In Southeast Asia and the Pacific, the ratio was more than 9, while in East Asia it was above 8. Moreover, more than 52 million workers currently live just 10% above the extreme poverty line of US\$1.25 per day, while more than 140 million live just 20% above that line (ILO 2008).

## **5.0 Huge Job Loss in Export Sectors**

5.1 As expected, millions of workers in key export industries in the region have been retrenched. Many of these workers were employed in small and medium-sized enterprises that supply larger firms in national, regional, and global production chains. The Indonesian Ministry of Manpower and Transmigration reported that job losses exceeded 51,000, while the Indonesian Employers' Association reported over 237,000 layoffs between October 2008 and March 2009, with the textile and garment sector accounting for the bulk of them, followed by palm oil plantations, automotive and spare parts, construction, and footwear (Jakarta Post 2009). In Cambodia, employment in the garment sector contracted by 15% between September 2008 and February 2009 (Jalilian 2009). In Thailand, the number of people on unemployment insurance rose by 17.2% in January 2009 alone, after rising by 38.3% in 2008 over the previous year (Thailand Office of National Economic and Social Development Board 2009b).

5.2 Job losses in different industries combined with ban on new recruitment are pushing unemployment rates up in some Asian economies. In the Philippines, the unemployment rate increased to 7.7% in January 2009 from 7.4% in January 2008, representing a 6.7% rise in the number of unemployed people. Meanwhile, between March 2008 and March 2009 the number of unemployed increased by 28.7% in Singapore and a staggering 73.3% in Thailand in the same period. (Phu Huynh and Associates 2009). Similarly India also experienced job-losses of millions of workers in the export sectors, the major ones being textile and apparels, information technology and IT Enabled Services, gem and jewellerys, leather, tea, construction, automobile, aviation etc.

5.3 As we have noted above the pathetic situation of the young unemployed, so too the plight of women workers are very precarious. In the Philippines most layoffs have been in Export Processing Zones where typically 75% of workers are women. In Thailand, at least 125,700 women in four export industries have been laid off or moved from decent work to more irregular employment.

5.4 In the matter of job losses a rather new but out and out anti-worker tactics of the management has been witnessed in the course of the present crisis situation. Many workers are not dismissed outright, but instead have their wages and hours of work cut. The ILO report to the G20 Labour and Employment Ministers Meeting held in Washington, DC on 20-21 April 2010 has come out with details regarding this new type of lay offs. Different nomenclatures have been used to deal with the tactics of partial lay offs, such as, working time adjustments, with reduced working hours on the basis of lesser hours per day or lesser days per week or “even temporary plant shutdown for periods of several weeks or even months.”

5.5 In Cambodia, a survey found that earnings of those hanging onto their jobs dropped by 18 percent in real terms, while remittances to their families in rural areas declined by 6 percent. In Thailand, women report that their overtime, shifts, normal working hours, pay and welfare benefits have all been reduced. Similar patterns emerge from data collected by a national union in Indonesia (ibid). Studies by various agencies have found that in many countries in the Asia-Pacific region the management with impunity from the ruling polity using the crisis as an excuse to dismiss workers on the roll of the company for many years and replace them with younger, cheaper workers.

## **6.0 Migrant Labour**

6.1 Asia-Pacific region has become one of the world’s biggest international migrant labour centres, both sending and receiving. More than three million workers leave every year and at the same time a similar number return to the region. According to a study report of UNDP there was a period when migrants in large number used to go to the Gulf countries. But eventually the situation has changed. Now-a-days, the largest flows are within the Asia-Pacific region. Take for example, Indonesian agricultural labour to Malaysia; Sri Lankan domestic workers to Hong Kong; Fijian bus drivers to New Zealand. Around two-thirds of Asia’s migrants are women. Now migrant workers, while supplying cheap labour to the destination countries, are a source of Foreign Exchange to the countries of origin through their remittances.

6.2 In the year 2008 the region received a total of US\$169 billion through remittances. However, this figure is based on remittances through official channels. It has been estimated that another 50 percent of remittances enter the countries through various unofficial channels. The largest recipients, obviously, were India, China and the Philippines (ibid).

6.3 So far as the impact of the global economic crisis on migrant labour is concerned, the experience is a mixed one. Initially the remittances were decelerated. Quite a sizable reverse migration also took place. With the passage of time while the growth of remittance in some countries moderated, the over all flows remained resilient. However, there has been a fall in labour migration in virtually all OECD countries. (OECD 2009). Migration will also be affected in Asia-Pacific destination countries. Malaysia, for example, has more than 2.1 million registered foreign workers, mostly from within the region, who could be affected by layoffs in manufacturing. Thailand has some 1.8 million foreign workers, with the most vulnerable being those in manufacturing and agriculture. Singapore has around 900,000 foreign workers and some projections suggest that 100,000 jobs in the manufacturing and service sectors will be lost. South Korea has more than 400,000 foreign workers and some workers are leaving as small firms in particular shut down.

6.4 Migrant workers are victims of maltreatment both at the home and destination countries. While the home countries are amply benefited in building Foreign Exchange reserves from the remittances, migrant workers do not receive effective protection from the home government. On the other hand in destination countries migrant workers are generally engaged in unskilled, labour-intensive and low-paid jobs and are generally unprotected by labour laws. They rarely have access to education and other social services; they have poor and inadequate housing and living conditions. When they are illegal or quasi-legal and dependent upon contractors, they also find it difficult to avail themselves of existing facilities such as proper medical care. Trade Union rights and Right to Collective bargaining are generally denied to migrant workers. International cooperation amongst trade union movement in organizing and protecting migrant workers can deliver multifarious benefits to working class at all three levels – migrant workers, workers in the home country and indigenous worker in the destination country.

## **7.0 The Balloon of Export-based Economic Model Exploded**

7.1 With the failure of the neo-liberal economic doctrine, the unsustainability of export-based economic model with utter neglect of the

indigenous people and the domestic market has been totally exposed. We have noted above that under the design of neo-liberal policies most of the region's economies have unsustainably relied heavily on exports. In many countries, especially in East and South-East Asia, exports have made a greater contribution to GDP growth neglecting house-hold consumption, government consumption or investment or even all three combined. Heading into the crisis, the value of manufacturing exports equaled more than 140% of gross domestic product (GDP) in Singapore, nearly 70% in Malaysia, more than 40% in Cambodia and Thailand, and more than 30% in the PRC, Korea, Philippines, and Viet Nam.

7.2 Now with the outbreak of the crisis devastating the economies of the USA and EU and severely shrinking demand for import, many Asian countries faced a sudden drop in exports. The scale of the import losses can be estimated by comparing 2008 exports with what they might have been, had they followed their recent trend during the preceding three years. Of the 33 countries in the Asia- pacific region for which data have been collected, 21 suffered serious setbacks. Five economies suffered absolute losses of over US\$10 billion, these are: China, India, Singapore, Hong Kong and Thailand. For all 33 economies as a group, the net loss was \$240 billion. Being entrapped under huge indebtedness, consumers in developed economies abruptly cut back on spending in 2008 and the beginning of 2009, demand for Asia's exports fell sharply. In April 2009, exports from the PRC fell by 23% and from Thailand by 25%. Similarly, March 2009 export data from Indonesia, Malaysia, and Philippines indicated a year-on-year drop of 26–32%. Sales of labour-intensive manufacturing products reduced sharply in the United States and Europe, as are sales of higher value-added goods such as computers and related equipment and automobiles.

7.3 As according to IMF itself the market stagnation is to continue and total world trade volumes are expected to contract further by 11%, there is no chance of growth in export market and so too the domestic market of the region in near future and the crisis ridden world capitalist economy and for that matter the economies of the Asia-Pacific region is unlikely to recover soon. It is important to repeatedly recall the fact that the inhuman story behind the export growth of the countries in the region is the severe exploitation of working class by the capitalist class. Taking advantage of the poverty-stricken state of the historically poor counties in the region due to colonial exploitation, the monstrous MNCs with their base, mostly, in the USA and the EU under the cover of liberalization invaded the economies of the developing countries of the region with FII and FDI. Now the huge mass of people in the poor countries, who were pauperized through colonial exploitation, continues to exist today as a vast reserve of labour, who does

not find gainful employment.

7.4 The existence of this enormous reserve of labour; the unemployed, underemployed, informal wage workers and self-employed petty producers in the urban areas along with the peasants and landless agricultural workers in the rural areas; ensure that the wage in these poor countries remain abysmally suppressed at bare subsistence levels. A grim picture has been captured in a report of the UNDP, *"As wages were held back inequality rose, domestic consumption did not increase. More than any other factor the large surplus pool of labour acted as a brake on real wages despite improvements in productivity, and increased profit shares of income across the region"*. Now this is the state of class based exploitative capitalist economic society. And, therefore, the exploited people have to be extricated from the clutches of capitalist exploiters through the path of Class Struggles.

## **8.0 Euphoria of 'Global Economic Village' Evaporated**

8.1 The imperialist led campaign for a so called boundary-less global economic village and barrier-less global market with no role of the state in their respective economies has ultimately fallen flat with the outbreak of current capitalist economic crisis which originated in the US followed by EU (European Union.) Now it is rather unlikely that the US and EU markets would be able to resume pre-crisis role to absorb the products of the developing countries of the world. It has been said that the US cannot and will not continue to be the engine of world growth through increasing import demand in the near future.

8.2 In this connection the observation of UNDP Regional Centre for Asia and the Pacific is worth noting, *"The US cannot and will not continue to be the engine of world growth through increasing import demand in the near future. This means that developing countries in general and particularly those in developing Asia that continue to rely on the US and the EU as their primary export markets, must seek to redirect their exports to other countries and most of all to redirect their economies towards more domestic demand."* The inbuilt message in the observation is loud and clear. The inherent structurally unsustainable character of capitalism and the actual game of the US and EU ruling classes under imperialist globalisation vis-à-vis the developing countries have been thoroughly exposed.

8.3 It is now crystal clear that the export-led economic policy adopted by the developing countries of the region under the doctrine of imperialist globalization has ultimately caused harm to the people of both the producing countries (the poor countries of the regions ) and the consuming country

(the rich US). The superficial surge in export generated trade surplus for the developing countries with accumulation of Foreign Exchange (mainly US dollars) reserves which were placed in so called, "safe havens" such as the US Treasury Bills or Wall Street securities. In sum the developing economies ensured supply of cheaper products to US market and also flow of money to US financial system.

8.4 It would be very much pertinent to mention that the Asia-Pacific are sitting on huge foreign exchange reserves, which are mainly invested in US dollar instrument as already noted above. As per available data as on November 2008, six of the top ten countries in terms of foreign exchange reserves in this region were – China (US\$ 1,885 billion), Japan (US\$ 212 billion), Taiwan (US\$ 292 billion), South Korea (US\$ 212 billion), Singapore (US\$ 162 billion) and Hong Kong (US\$ 155 billion). It should also be mentioned here that the "outstanding debt in the US now amounts to more than 3.5 times the GDP, most of which is private debt (303 percent of GDP in 2008). While public debt in 2008 was below the total GDP, it still amounted to nearly US\$ 11 trillion." (Ghosh 2010)

8.5 US consumers were induced to go for huge loans from the Banks and Financial Institutions and rode to buying spree. This has been expressed thus, *"US consumers who pay for their goods not with rising incomes but with rising debts."* The ultimate results are – in one hand the US consumers got entrapped under huge debt liabilities; the Banks and FIs in the US went bankrupt subsequent to financial meltdown; on the other hand the poor countries suffered from economic underdevelopment; pauperization of the people; declining purchasing power and thus no domestic market. In nutshell – 'the body generated blood but the blood was sucked by others and the body continued to remain anemic and blood sucker developed incurable hepatitis'

## **9.0 Talk of Boosting Domestic Demand**

9.1 Now it is very amusing that the same agencies/institutions/ideologues of capitalist class who have been conducting aggressive campaign for so called 'global market economy', now in the face of the current economic crisis of a more perennial nature are prescribing a new path focusing regional economic growth and stressing stimulating purchasing power of the people in order to develop domestic market! *"Asia-Pacific should adopt a two-pronged approach to the crisis. Internally, they should foster closer regional policy cooperation to make better use of the region's financial resources and relatively large potential domestic markets [...]. In the long term, the expansion of potentially large domestic markets can*

*gradually replace the current export oriented development strategy.”*

9.2 Now the same schools of architects of the global market economic policy are totally rejecting the exploded export based global market economic policy and redrawing policy prioritizing nation state oriented domestic consumption based strategy. Arguments are advanced that Governments of the region should adopt measures to stimulate national economies by expanding and strengthening of domestic demand. And to achieve the same approach there is need for correcting government policies that suppressed both the share of wage incomes relative to GDP as well as domestic household consumption. To raise the share of wage income relative to the GDP, there is a need to correct government policies that are biased towards manufacturing industries and particularly favour capital-intensive industries. Labour intensive investment by Government is essential to ensure giant generation of employment to stimulate purchasing power of the people and increase domestic consumption by mass of the people.

In the era of neo-liberalism workers in the Asian countries have suffered severely from wage depression. The degree of exploitation of labour can be assessed from the fact that real wages lagged behind rise in productivity of labour. This phenomenon has been described as, “labour repression-led growth regime” and went on to say, *“there can be no ‘rebalancing’ of Asian economies without a strong recovery of the labour income share combined with a reduction of inequalities and eradication of absolute poverty.”*

9.3 A report prepared under the ESCAP (Economic and Social Commission for Asia and the Pacific), ADB (Asian Development Bank), and UNDP (United Nations Development Programme) regional partnership programme has observed that *“The present crisis has made the Asia-Pacific countries more vulnerable to economic shocks arriving from beyond their borders. Prudence suggests that they now need to rebalance their economies ... For this purpose they need to give less emphasis to export and move to stimulating domestic demand ... Reducing poverty can therefore unleash the latent demand for goods and services that cater to the needs of the poor. Governments should be looking to increase the earning and spending power of the poor, especially in rural areas.”*

## **10.0 No Room For Illusions**

10.1 It is none of our purpose to spread any illusions among the working class and trade union movement that regional focus can provide a permanent people oriented economic solution in the region. However



we should utilize the above facts, figures and formulation to mobilize and enlighten the people of the region, exposing the exploitation of the poor countries, as in the Asia-Pacific region by the US and the EU rulers under imperialist globalization.

10.2 What is suggested is to create a new consumer market within the Asia-Pacific region and for that matter little concessions here and there are being talked of! They do not talk of reversing the policy itself which has destroyed the consumer base for the products of the region in the US and EU. They are not ready to give-up the market driven economic policy.

10.3 The anti-people approach of the capitalist policy makers has been further exposed by a report prepared by the ADB propounding the need for promoting middle class consumers as a measure to address the stagnation of market in the era of economic crisis. *"The focus on the middle class and policies for promoting it is rooted in the belief that the middle class is an important prerequisite for stronger and sustainable economic growth and development."* It is interesting to note that the definition of middle class according to the ADB report is those with capacity to spend ranging US\$ 2 to US\$20 per person per day on US dollar based PPP (purchasing power parity). It is estimated that by 2030 the Chinese middle class is expected to exceed 600 million. In number terms this will be largest middle-class group in the world, comprising the world's third largest consumer market. India will be the fifth largest market in the world with 520 million consumers. It is this demographic transformation of 1.5 billion Asian middle-class consumers that will fuel global economic growth.

10.4 Now it is exposed that in their high sounding talk of boosting domestic demand, toiling people do not have any place. Their target group is the middle class and not the mass of the people. However, the irony is that *"the majority of the Asian middle class still falls in the US\$2-US\$4 range, leaving them highly vulnerable to slipping back into poverty due to economic crisis."* It is really the right place to recall that for capitalism it is 'Profit first and People last'.

10.5 One revealing feature which has come out in the ADB report is that the US consumer market is not expected to resume its pre-crisis consumption level, meaning thereby US has really lost its capacity to play the pivotal role as the engine of capitalist growth or absorb cyclical shock of crisis. And this situation explains the background of the prescription of the capitalist institutions for domestic demand driven economic strategy. The ADB Report said, *"Asia's middle class are very much expected to become the next global consumers and assume the traditional role of the US and European*

*middle classes.”*

10.6 The task emerging for the working class of the region from the situation narrated above is to strengthen regional cooperation amongst the working people of the region to intensify the struggles against neo-liberal policies under imperialist globalization. We must be careful about the dangerous middle class phenomenon. This stratum of the society is opportunist and vacillating and cannot be a reliable force in the struggle against imperialist globalization and market driven economic policy. The role and leadership of the exploited working class and path of class struggle is supreme. Greed for unlimited profit and resultant cyclical crisis is the core character of capitalism. Capitalist class is historically not capable of taking lessons from the cyclic crises and taking basic corrective steps. It is the working class, which have to provide leadership to bring in revolutionary change in human society by demolishing the capitalist system.

### **11.0 Hegemonic Design of US Imperialism in Asia-Pacific**

11.1 The game of capitalism in locating the production centres in poor countries and market base in the rich countries like US and EU has become inoperable in the post crisis world situation. The craze for deploying the accumulated reserves of the developing countries in US Treasury Bills etc. has vanished with the wild wind of capitalist crisis. The developing countries in the Asia-Pacific, due to different natural advantages including the size of population, are bound to play a very important role in providing at least a semblance of economic recovery or stability in the forthcoming days. *“And the depth and severity of the crisis are likely to signal global political economy changes that will shape the world for the next few decades. Geopolitical shifts are likely to result from such glaring exposure of economic vulnerability in the global hegemon. Large bailouts and the planned Obama fiscal stimulus in the US will lead to a big increase in the US public debt. It will also make it harder for the US to maintain its military dominance, which has been a major source of the strength of the US dollar.”* **(Global Meltdown : Regional Impacts)**

11.2 In the aforementioned situation the imperialist forces of the world have turned the edge of their hegemonic game towards Asia and the Pacific. This apprehension is substantiated by one very significant recent development. Three top ‘monarchs’ of the world capitalist order - Obama, Sarkozy and Dmitry Medvedev, - Presidents of US, France and Russia made a whirlwind visit to Asian-Pacific countries. Apart from the common economic interest of imperialism in the region, the inner contradiction in imperialism must not be overlooked. Both the economic and military hegemony are in play.

11.3 When Obama visited India, Indonesia, South Korea and Japan in September 2010, the US Secretary of State Hillary Clinton, Secretary of Defence Robert Gates and Chairman of the Joint Chiefs of Staff Admiral Michael Mullen paid visits to six other countries in the Asia-Pacific region – Cambodia, Malaysia, Australia, New Zealand, Papua New Guinea and Tonga. In summing up her visit Clinton stated to press in Australia, *“What we are intent upon doing is not just demonstrating we’re back by flying from capital to capital, but putting real meat on the bones of that position ... Obviously, our military, in close cooperation with yours, is looking at how we can upgrade the presence of the United States in partnership with Australia and others.”*

11.4 Many more steps have been undertaken by the US imperialist forces directed to realising quantum jump in heightening the military presence of US in the region. Their game plan is ‘plain and simple’, to establish controlling stake in the emerging economic importance of Asia-Pacific they want to brow-beat others with their military might.

11.5 China undoubtedly has almost emerged as a global engine to pull the world economy. Naturally it is certain to play a very important role in the economic development of the Asia-Pacific region. Now Chinese ghost is haunting imperialism. The agents of imperialism have started propaganda to create confusion among the people of the region over China. False and fabricated stories of military build up by China are spread so that people of the region are divided and Asia-Pacific region is turned into a hot military zone enabling the imperialist forces to reap undue benefit. This is a new situation full of potential and challenges before the working class movement of the region. Now ruling polity of the region are subservient to imperialist dictates. Therefore the campaign against the imperialist design will have to be carried forward under the leadership of the working class of the region as a whole.

## **12.0 Trade Unions, Collective Bargaining & Wages**

12.1 The nation states of the region have different systems of governance and thus the politics and political structure of the countries vary widely. Such variation disallows comparison with other regions of the world. It has been commented that *“political obstacles for trade union movement are formidable in the region. Most Asian countries have been ruled by harsh dictatorships, and some still are, that have used extensively state violence to repress the labour movement and secure a high rate of exploitation... Even in the so-called democracies in the region trade unions have been so much suppressed that organized resistance of the working class are limited in some nation states.”*(Bruno Jetin 2009) In a nutshell a very hostile socio-political

climate haunts the trade union movement in the region.

12.2 The Trade Union movement in Asia and the Pacific Region continues to face physical threats, harassment, intimidation, discrimination, imprisonment and murders. The present capitalist economic crisis is also being used as an excuse to deny trade union and collective bargaining rights to workers in the region. The Asia-Pacific region today presents a scenario where there is an increasing gap between the stated labour policies and the actual situation on the ground in so far as workers rights are concerned. Thus Labour Laws merely decorate the pages of statute books. Only 15 countries from the region have ratified ILO C.87 and only 19 countries in the region have ratified ILO C.98. Right to collective bargaining is available only to a rather miniscule percentage, may be ranging between 3 to 10% of the total workers and the remaining overwhelming majority are denied this basic trade union right. Such a situation has adversely impacted the wage level.

12.3 Fluctuations in wage level as studied by ILO, pertaining to the period immediately prior to and after the outbreak of economic crisis, are worth noting. Globally, growth in average monthly wages slowed from 2.8 per cent in 2007 (the eve of the crisis) to 1.5 per cent in 2008 and 1.6 per cent in 2009. But if China is excluded, the global average wage growth drops to 0.8 per cent in 2008 and 0.7 per cent in 2009. However in Asia, real wages have grown in excess of 7 percent throughout the period 2006–09, with rates of 7.2 per cent in 2007 to 7.1 per cent in 2008 and 8.0 per cent in 2009.

12.4 As in the case of global estimate, so also this regional trend is heavily influenced by China, which accounts for more than half of total wage employment in the region. Therefore regional figures must be balanced against the experience of other countries of the region, such as Japan, Thailand, Malaysia or the Philippines, which were affected much more adversely by the global economic crisis and where real wages actually fell during the crisis. For example, Japan saw real wages fall by nearly 2.0 per cent in both 2008 and 2009. In the Philippines and Malaysia real wages fell by more than 4 per cent in 2008, and in Thailand they fell by almost 2 per cent in 2009. According to calculations by the Public Services International Research Unit, earnings in the public sector have risen faster – or fallen less – than earnings in the private sector.

12.5 It is obvious that the presence or absence of the right to collective bargaining has a crucial impact on the link between overall wages and productivity growth. The connection between wages and productivity was

more apparent in countries where collective bargaining covers more than 30 per cent of employees. As per calculations a one per cent increase in the annual GDP per capita translated into average wage growth of 0.87 per cent in countries with superior collective bargaining coverage, compared to wage growth of only 0.65 per cent in countries with weak coverage. Collective bargaining not only strengthens the link between wages and productivity, it also helps to reduce inequality. The ILO study has found that high collective bargaining coverage countries have significantly less wage inequality than low-coverage countries.

12.6 Another important point brought out by the ILO study is the correlation between trade union density and wage level. A study has revealed that higher union membership is correlated with a lower incidence of low pay in the countries for which both sets of data are available. It is estimated that in countries with a union density of less than 15 per cent, the incidence of low pay is, on an average, close to 25 per cent. This low-pay incidence is reduced by 3 percentage points for the countries with a medium level of union density (between 15 and 50 per cent) and is almost halved to 12.3 per cent in countries with high coverage (higher than 50 per cent). It is striking that the effects of union membership become particularly strong when the majority of workers are affiliated with trade unions, in comparison to the relatively small difference between the countries with low and medium levels of trade union membership.

12.7 A vulgar disparity in wage earnings between executives and workers and between higher and lower strata of workers has been growing dangerously under the onslaught of neo-liberalism. The income gaps between top executives and workman cadres have been widening. The Chief Executives of the 15 largest companies in the USA earned 360 times more than the average workers in 2003 and by 2007 they earned 520 times more! The ILO study has traced that widespread and rising wage inequality, characterized by rapidly increasing wages at the top and stagnating wages at the median and bottom of the distribution. An analysis shows that the distance between the lowest paid 10 per cent of workers and the best paid 10 per cent has increased in 17 out of 30 selected countries for which at least one data point is available to compare the periods 1995–2000 and 2007–09. Although the largest part of this increase in inequality was due to top earners “flying away” from the majority, another part was due to the so-called “collapsing bottom”, where the distance between median workers and low-paid workers has increased in most of the countries studied. Such a phenomenon is acute in the developing countries as in the Asia-Pacific region. **(ILO Global Wage Report 2008/09)**

### 13.0 Working Class Struggles in the Region

13.1 Working class struggles in the region are obviously of different degree and character given the different levels of political situation, correlations of forces and level of class consciousness. However, day to day struggles for better pay and better working condition are taking place in varying intensities. At the same time barbarous attack of the capitalist class abetted by the ruling polity are common occurrences in the region.

13.2 Struggles of the Indian working class against the neo-liberal policies and also against the onslaught of economic crisis are frequent and widespread in the region. Since 1991 to 2010 the Indian trade unions have jointly conducted 13 national strikes participated in by millions of workers. Moreover, innumerable industrial and service sector struggles including strike struggles have been taking place on a regular basis. In the meantime a total unity of the trade unions has been achieved in the country. The Indian trade union movement is also engaged in a grim battle with ferocious MNCs, braving murders, imprisonment, and dismissals. At the time of writing this report, the all in unity platform of the Indian trade unions is preparing for a historic 'March to Parliament' on 23<sup>rd</sup> February 2011 which is expecting more than a million workers who will travel down to Delhi from every nook and corner of the country.

13.3 The militant struggles of the South Korean working class on basic issues of trade union rights and other issues of the workers are worth noting. Similarly there are accounts of struggles of the workers of Cambodia, Sri Lanka, Philippines, Australia, New Zealand, Pakistan, Malaysia, Thailand etc. However, these struggles are mostly economic issue driven and suffer from short sightedness and lack of determination to push the struggles to the higher plane that is necessary to combat the onslaught of capitalist crisis.

13.4 Of course there is no question of undermining the day to day economic struggles of the working class. However it is very important to perceive and pursue without any compromise the total task underlined in the observation *"The trade unions and other class-mass organizations are the primary weapons of class struggle. They however are not the only weapons of class struggle, which, in fact, has three faces – economic, political and theoretical. [...] "The basis is the economic struggle which is the initial form in which the class finds its feet. Together with the fighting mass organizations of other sections of the toiling people, the trade unions fight the day-to-day economic battle, to which however are added two other forms – political and theoretical. Only by mastering all the three forms of class struggle can the working class lead other sections of the toiling people in the struggle against*

*class oppression, defeating capitalism and its allies."*

13.5 Cautioning the working class against the danger of fighting only the effect and not the cause, it has been noted in a Classic, *"At the same time and quite apart from the general servitude involved in the wages system, the working class ought not to exaggerate to them the ultimate working of these every day struggles. They ought not to forget that they are fighting with effects, but not with the cause of those effects; that they are retarding the downward movement, but not changing its direction; that they are applying palliatives, not curing the malady."*

#### **14.0 Need To Intensify Class Struggles**

14.1 With the collapse of the neo-liberal economic doctrine under the umbrella of imperialist globalization, the capitalist economic system has come under the grip of a very serious crisis. It is very important to note that the characteristics of the current crisis have unprecedented dimensions. In the present situation we are witnessing, *inter alia*, increasing incidence of idle and unutilized productive forces and a growing dimension of the reserve army of unemployed on one hand and on the other hand an incidence of over production, stagnated market and also death due to hunger. Thus it has been very aptly articulated that imperialist globalization has been a phenomenon of domination of speculative finance capital and *"a new episode in the history of class struggle."*

14.2 The ideology of class struggle teaches us that in order to insulate from the impact of crisis, the capitalist class takes the repressive recourse to shift the burden of crisis on to the shoulders of labour. True to this ideological understanding, in the current situation also the working class all over the world is confronting a capitalist onslaught. The crisis-ridden capitalist class has been adopting anti-labour steps one after another. Further, they have also been extracting huge concessions from the pro-capital ruling classes to protect their profits from erosion. Such steps are taken in the name of increasing 'productivity', realising 'cost effectiveness' and remaining 'competitive' in the market. The actual reason behind these avowed anti-labour designs is to protect the interest of the capitalist class from the impact of the economic crisis. But at the same time we are also witnessing brave and militant resistance struggles launched by working class in different countries.

14.3 It is but natural that in the conflict-ridden situation, different social forces are acting according to their respective class identity. It is in this context we must understand that the huge concessions granted to the

capitalist class by the pro-capital governments of the nation states are in discharge of their class responsibilities. Similarly the anti-labour character of the governments is clearly manifested in measures like imposition of wage freeze, restrictions on collective bargaining, ban on right to form trade union and right to strike, enactment of legislations in favour of the capitalist class and also the anti-labour role of judiciary.

14.4 History teaches us that due to the contradictions inherent within capitalism, it cannot escape from the recurrent crisis. In the capitalist system incoherence amongst products, people and profit is inherent. The unending lust for profit by capitalist class ultimately develops into the crisis of over production, the productive power of people becomes redundant, and purchasing power of the people is killed resulting in stagnancy in market. Then crisis steps in, making a mess of the capitalist system. The path they (capitalists) choose to come out of the crisis leads to a more serious crisis. In the process the working class confronts huge onslaughts from the capitalist class, necessitating intensification of class struggles. The working class must fight to achieve coherence between products and people which is absolutely possible only in a socialist system.

14.5 However, through superficial concessions granted by the ruling polity the crisis-ridden capitalist system can at best delay its death but definitely cannot escape its historically destined demise nor stop the emergence of a new social system with new production relations corresponding to the developed productive forces.

## **15.0 Situation Demands Offensive against Capitalism**

15.1 The Asia and the Pacific region is poised to emerge as an integrated (from the point of production and consumption) global economic centre in view of the new world economic order in the making, even though, under a capitalist dispensation. Thanks to the collapse of neo-liberal policies under imperialist globalisation which has permanently dethroned the US and EU from the position of engine to pull the global capitalist economy. In the changed world economic equation the Asia-Pacific region will witness some economic development (what the capitalist ideologues call emerging economies). However, the fruits of such development shall be gobbled up by the capitalist class and working class shall continue to be deprived of its due share until socialist production relations is achieved by the working class. Moreover the region will experience imperialist onslaught with the motive to establish political hegemony. Thus the working class of the region is on the threshold of a historical turning point. The new situation will bring simultaneous opportunities and challenges for the working class.



15.2 There is acute unevenness within the working class movement of the region along with the divergent politico-economic situation. However there is room and requirement for rejuvenation of the trade union movement of the region, to face the new challenges. The strategy must be multi-pronged. An International working class outlook must be the main guiding factor. Region-wide coordination for united struggles on basic trade union issues must constitute the immediate perspective task. But, above all, the basic foundation of such trade union movement must be laid in the soil of the nation states of the region. Of course such initiative must be linked with the greater goal of regional and global perspective.

15.3 With the inevitable collapse of unsustainable reactionary finance capital driven imperialist globalization, the more than three decades' old world wide bitter struggles of the working class against the onslaughts of neo-liberal policies stands totally vindicated. The present crisis is the worst in the history of capitalism. The capitalist system cannot re-emerge from the crisis to the pre-crisis position. The struggles during the pre-crisis period were, by and large, defensive. The working class had been fighting the effects of neo-liberal policies. Now the present situation has brought before the working class an opportunity to launch a sustained class struggle against the root cause of the crisis i.e. capitalism. In other words so far the fight was defensive and now it is time to convert it into an offensive one.

15.4 The determined struggles against market driven economic policies under neo-liberalism had have been led by trade unions affiliated and also those friendly with WFTU. Now, mainly due to its ideological leadership, WFTU has emerged as the champion in the fight against imperialist globalization. At the same time, the crisis has also exposed the class collaborationists within the trade union movement for their policy of collaboration with the forces of capitalist globalization nakedly compromising the cause of the working class. The need for class conscious ideological leadership to the trade union movement has attained unprecedented importance in the present situation. Undoubtedly only the WFTU can provide this leadership.







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