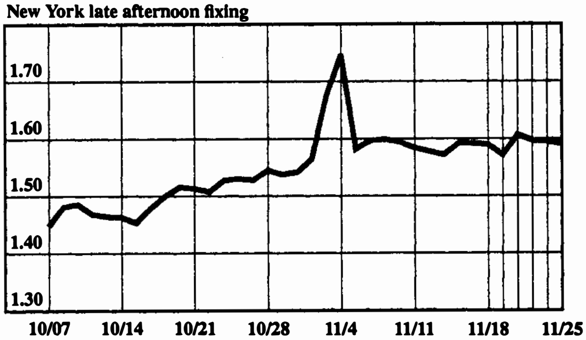
Currency Rates

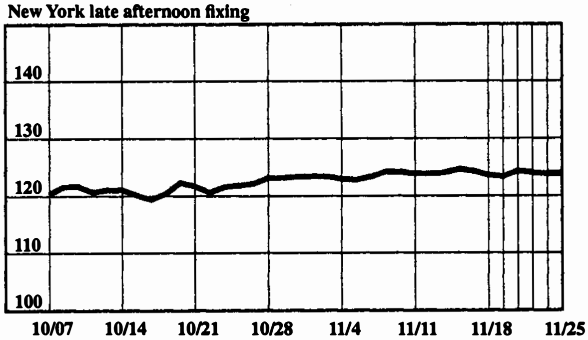
The dollar in deutschemarks

New York late afternoon fixing



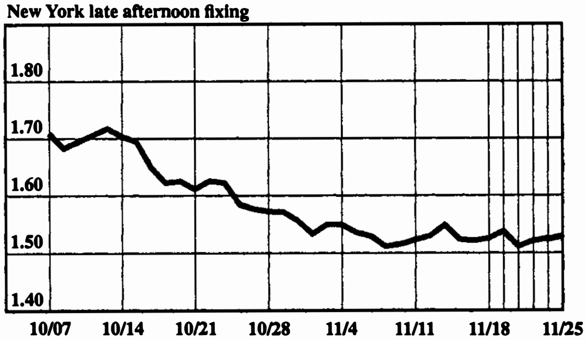
The dollar in yen

New York late afternoon fixing



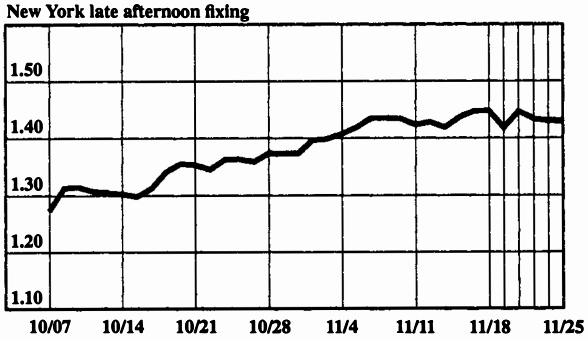
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Trade Policy

Unionists take dim view of NAFTA

While U.S. influentials are mooting the extension of the North American Free Trade Agreement (NAFTA) to selected Asian countries, two conferences have been held on the subject recently, sponsored by the two area studies centers in the United States that focus on Australia and New Zealand, one at the University of Texas and the other at Pennsylvania State University. The second of the conferences, on "Trade Union Response to Global Free Trade," held at Penn State's Australia-New Zealand Studies Center Nov. 19-20, was acknowledged by participants as a corrective for the earlier conference, at which apparently the ideology of British liberal "free trade" reigned unchallenged. "The labor perspective has been pretty routinely neglected, and this conference we see as a corrective to that," the acting director of the center, John Keller, noted in his introduction.

Labor representatives from the United States, Australia, and Canada—including United Steelworkers President Lynn Williams—and academics from the departments of Labor and Industrial Studies from Penn State and the University of Melbourne, Australia, joined in the debate. Although the Adam Smith free-trade models were pilloried, there seemed to be no knowledge on the part of the participants of the alternative model responsible for successful economic development in the United States, Germany, and Japan: the American System of Alexander Hamilton, Friedrich List, Mathew and Henry Carey, et al.

Wishful thinking

Australian and U.S. participants expressed a cautious belief that the descent into hell that all had witnessed with respect to the productive bases of their economies, would now start to be rectified with Bill Clinton in the White House, and with what Australians described as a turn by Labor Party Prime Minister Paul Keating, one of the key players in destroying the Australian economy, now up for re-election. Thea Lee, from the Economic Policy Institute in Washington, detailed her institute's attempts to educate Clinton on the negative effect that NAFTA will have on labor, and is convinced that the President-elect listened. But, another participant responded, "it could easily be that when Clinton gets into office, he will turn into the liberal free trader that many of his Democratic predecessors have been."

Australian opposition party head John Hewson has pledged to bring Australia into NAFTA when and if he wins the national elections, which must take place before March. Labor representatives at the conference insisted that this would be impossible. NAFTA, they argued, "has little to do with free trade," by which they meant that its real purpose is merely to allow the United States to loot other countries. Once Australians really look at this proposal, they argued, they won't want to touch it with a 10-foot pole.

Michael Sutton, of the Department of the Prime Minister and Cabinet, Commonwealth of Australia, who reported on the earlier conference at the University of Texas, expressed wishful thinking that Australia would refuse to accept a U.S. free-trade diktat. He related the exchanges following President Bush's campaign speech in Detroit, when Bush communicated the U.S. desire to negotiate a network of free-trade agreements also in Asia (later clarified by a U.S. official to mean Australia, New Zealand, Singapore, Hong Kong, and Taiwan). "The response to Bush's speech by Prime Minister Keating while he was in Japan, seemed hostile to the U.S. President's idea, and seemed to portray Australia as siding with Japan rather than the United States. It became clear at the [Texas] conference that the U.S. administration was not pleased with these statements coming from the Australian prime minister."

The lessons of Canada

Any naive belief on the part of Australians that becoming part of NAFTA "could never happen to us," was punctured by two Canadians, Bruce Campbell of the Canadian Labor Congress, and Canadian-American professor Gerry Glyde from the Penn State Labor Studies and Industrial Relations Center. They explained how Canada had been suckered into joining NAFTA. In 1988 it signed a Free Trade Agreement (FTA) with the United States, which is now being extended and superseded by NAFTA. The results are already in: The Canadian manufacturing sector has shrunk by 25% in three and a half years, and "irreversible" regulations have been inked which history may record as the crucial determinant in negotiating away the country's sovereignty. Explaining the various regional linkages that have held this far-flung country together, Glyde quipped, "When you think about it, you are trying to tie together a country that doesn't make any sense. . . . The only way you got the country together was these hodge-podge arrangements—inefficient, but fun and interesting."

Campbell added that Canada's existence as a national unit and a national market demanded that it create an East-West grid of road and rail infrastructure, as well as communications. Now, this unity is "disintegrating quite rapidly" in favor of north-south connections.

"I find an interesting point about why these most recent trade initiatives is related to what has been happening, in particular, to the U.S. economy," Glyde said. "Particularly if a country is one of the major countries in the world, or to use the word 'hegemonic,' when it starts feeling itself coming apart—when Britain was a major power and its relative position declined—they are going to try to make arrangements which protect their position." Glyde noted that one of the many things that the Canadians gave up in order to supposedly get access to the U.S. market, was energy independence. "If under the FTA, Canada would cut back flows of energy to the United States—say there was a world crisis—they would have to cut themselves off to the same degree or proportion. Now again, that doesn't sound like free trade!"

Michael Sutton, who had hosted the University of Texas conference, noted that "most of our presenters were economists, though we also had a bevy of government officials from New Zealand, Australia, and the United States." Sutton explained much of the pro-NAFTA thinking in Austin: "There will be general economic benefits for Mexico and the United States, and this agreement will create wealth, and therefore one way or another everybody will benefit in the long run."

Gerry Griffin, of the University of Melbourne Center for Industrial Relations and Labor Studies, shot back: "The answer is 'the market': 'You guys don't have to worry about it, the market will do it.' I was quite amused when you were talking, Michael. . . . I don't know how you invited the economists you invited; if you look at the range of Australian economists, there are many more divergent views . . . than the ones you picked!"

Sutton retorted, "That may be so, but these are people who by and large are very influential in policymaking circles."

To which Griffin replied, "Not with the Labor government, particularly with Keating up for re-election. He's changed quite dramatically." Australia's decimated rural sector would have a very difficult time agreeing with that statement.

If leaders of the Australian Council of Trade Unions have often seemed to foreign onlookers as simply part of the government, ACTU research officer Grant Belchamber made clear that they *are* the same thing, essentially the labor and political wings of the Australian Labor Party now in power. But "we do differ from the federal government on some aspects of current trade policy. . . . Nonetheless, the Australian trade union movement does not win every argument," Belchamber said, in an understatement. Privately, he described the Labor Party administration of former Prime Minister Bob Hawke as a "dark period"; he is hopeful that labor can swing Keating on trade policy. Clearly, in this "accord" there is much disagreement. "The contemporary challenge to the union movement in Australia is to battle the free-trade zealots—the thought police of the economics profession—who would of course abolish the industrial commissions and smash the union movement had they the opportunity," Belchamber adds.

Documentation

'The free traders have ruined manufacturing'

From remarks at the conference at Pennsylvania State University by Lynn Williams, International President of the United Steel Workers of America:

This commitment to free trade and these years of arguing about this, in so many forums across the land, and particularly Washington—it hasn't just been the Reagan administration and the Bush administration, but it is an enormous layer of the civil servants in the U.S. system. It's almost everybody who took Economics 101 at any university, I assume including this one. It's been the academic establishment, certainly . . . driven by this devotion to consumers. It doesn't matter what the consequences are; as long as the consumers can find something cheap, that must be good. I've always been puzzled by who these consumers are that are unhooked from being producers! How you can be a consumer if you just lost your job, and have very few prospects of having another job, or you now have a much poorer job, has always been puzzling.

There have been some very devastating side effects to all this; this general ideology encouraged was the idea that Reagan particularly promoted, that manufacturing really doesn't matter. It doesn't matter whether we make anything; we are going to have a service economy and we'll have an information economy. . . .

In Europe they have managed this "restructure"—as we say these days, though "decline" is a more honest word—with enormous government intervention and support. In France, for example, when they were restructuring the steel industry after there had been a few riots and things. The French steel workers, age 55 and over, receive a pension that represents 85% of their income for the rest of their lives indexed to the cost of living, mostly provided by government pensions, a little bit of private pensions. We're going crazy in the United States with the cost of pensions. What a contrast!

One of the themes that was played on, the consumer theme: "It's great to take advantage of these cheap goods . . . it's all to our advantage in the long term, anyway. They are going to do sheep and we will do wine, and it will all work out fine." In this process, our productive capacity was being destroyed!

This carelessness about being producers legitimized the whole business of our own industries moving off-shore, which of course was an enormous piece of bunk. . . . All of this was devastating, most importantly to jobs, particularly the good jobs. . . . It was devastating to the labor movement in terms of membership; the labor movement is now, in terms of membership, so weak in the United States—it's something like 12% of the private sector. I believe this is not just a labor movement crisis, but a national crisis. I don't think you can maintain an industrial democracy without a strong labor movement. I don't think Bill Clinton has a hope of restoring the middle class of America without restoring collective bargaining. . . . Trade must have some very tight relationship with industrial policy. Trade is one piece of industrial strategy.

One of the most destructive elements in all this, is that all of this has invited and encouraged the international corporations, the multinationals to seek the lowest common denominator wherever they can find it around the world. . . . That's why we are so opposed to the NAFTA arrangement, because we think it is a mutually destructive arrangement—destructive for American workers and destructive for Mexican workers. I think it's instructive that real wages during this last 10 years of economic development in Mexico largely pushed by the multinational corporations have declined by about 50%. You look at the *maquiladoras,* why obviously, this is surely not a development path that we want to encourage. Child labor, minimum wages, frightful environmental circumstances!

Gerry Glyde, Pennsylvania State University Department of Labor Studies and Industrial Relations:

This free trade, whatever you call it, ideology, is extremely important. . . . It was noted in a *New York Times* article yesterday, in an article on the impacts of NAFTA, that most of the models that have been used, assume full employment. You sort of assume if someone becomes unemployed, then they are automatically employed. The only thing they are really focusing on is relative crisis, and what are called elasticities, and everything else they brush over. For example, all the stuff about direct investment that I mentioned with respect to Canada, that is a big part of trade that doesn't even appear in the models. They can't handle services, so they focus on manufacturing. In the Canadian case, I remember virtually all the studies were done on manufacturing and nothing on services. The major reason that the U.S. probably wanted the deal with Canada was for services—banking, insurance, and things like that. They couldn't handle the data around this, so they didn't handle it. But if you are a real free trader, and carry the free-trade ideology, you don't need results, because it is all totally self-evident.

Bruce Campbell, labor economist, Canadian Labor Congress:

The position of the labor movement now, after four years of experience, hasn't changed. It's that the predictions and consequences that we expected and feared have to a large extent come true, and they have come true in a fashion that is more dramatic in many cases than we would have expected. And so the position remains one of opposition to the bilateral FTA [Free Trade Agreement], which means abrogation. That is the official position of the Canadian Labor Congress, and the position of opposition to its extension in the NAFTA, and ultimately the plan being through the Enterprise for the Americas Initiative, of extending down through South America and taking the form of a Western Hemisphere Free Trade Agreement. And of course, interest has now been expressed, and implications speculated upon of Australia and New Zealand coming into this. . . .

I'm going to use FTA/NAFTA interchangeably; they are organically connected, they are part of the same process. If you look at the record of these kinds of agreements since World War II, they are mainly about tariff reductions. Tariffs are a very relatively minor component of these agreements, of FTA and NAFTA. They are about much more than tariffs. They are *sweeping* agreements. . . . This goes beyond the European experiment; there is nothing in Europe, for example in the area of resource management, that approximates what is in the FTA. FTA/NAFTA covers services, it covers an array of services and the regulation of services, from land transportation to financial services to telecommunications to health care, certain areas of health care services. It covers standards and explicit harmonization of standards and professional standards. . . . It covers intellectual property rights. It covers the management of resources; it covers labor mobility. . . . There is a real element of irreversibility in these agreements. It would be all very good if a future government could come along and reverse them, but it's not possible for a future government to come along and reverse them, without abrogating the entire agreement.

The industrial policy tools that are removed in the FTA and NAFTA have been important in Canada's development historically. . . . There is a real element of irreversibility in these agreements. It would be all very good if a future government could come along and reverse them, but it's not possible for a future government to come along and reverse them, without abrogating the entire agreement. The FTA was a wedge, an important beachhead from which to push for the NAFTA. . . .

The results? In the manufacturing sector, it is most dramatic. We've seen our manufacturing sector shrink by close to 25% in three and a half years. There is no parallel since the 1930s. If you compare it to what has happened in the U.S. manufacturing sector, during the same period, it is about 6%, in the United States. So we are talking about four times that—another indication of the restructuring. Compare it with the last election in 1981-82; at that time, less than a quarter of factory job losses were the result of permament factory closings. In contrast, in the free trade era, about two-thirds of job losses were the result of *permanent* factory closings. I'm certain that under NAFTA that process will continue. I don't know where the bottom is. . . . It has decimated the Canadian agricultural sector. It has really hurt the fruit and vegetable sector. The extension to NAFTA will further hurt the fruit and vegetable sector. . . .

Bankers' socialism leaves Spain in chaos

by María del Cármen de Pérez Galindo

After ten years of bankers' socialism under Prime Minister Felipe González, Spain is plunged into the worst economic crisis of the last half-century. In a period of eight weeks, the peseta has been devalued twice, the last time by 6%, to avoid its dropping out of the European Monetary System; the Bank of Spain had to buy the equivalent of 6% of its reserves, 300 million pesetas, to stop it from falling even lower. And the Communists had a field day. In the words of Antonio Romero, Deputy of Izquierda Unida (United Left): "The government has been applying the usual remedies, which have turned this country into an industrial desert, and sacrificed its agriculture and cattle breeders."

The finance minister himself, Carlos Solchaga, a cocktail party lion and habitué of *Los Beautiful,* as the Spanish quaintly call the Jet Set, told the *Financial Times'* annual Madrid seminar on Nov. 19: "Evidently, we underestimated the negative results flowing from allowing private households, public administrations, and firms to become over-indebted, not to speak of pay raises and high interest rates."

According to the Bank of Spain's latest quarterly report, economic growth since July fell below 1%, the lowest rate in the last decade; neither does the Bank's report see a brighter future, given the drop in the rate of investment and economic activity, the slowdown in private consumption and foreign trade, the increase in public deficit and the balance of payments deficit. Another Bank of Spain report, which the Barcelona daily *La Vanguardia* says will shortly be made public, shows a drop in net profits of Spanish firms by 45% in 1991.

Unemployment rose by another 76,000 in October, relative to the 65,000 reported in September. According to official figures, 18% of the workforce is now unemployed.

The public debt is staggering. Celia Villalobos, a Popular Party parliamentarian, gave the Congress the following official figures owed to the Social Security in back payments for benefits: All government administrations taken together, 329,021,000 pesetas which breaks down as provincial governments owing 114,783,000 pesetas; central administration 94,034,000 pesetas; municipalities and local governments 12,255,000 pesetas. The Insalud (National Institute for Health) is owed 197,979,000 pesetas.

Unpaid bank credits are now 5.8% of the total volume of credit, the total standing at 1,910 billion pesetas; in mid-November, the Director General of the Bank of Spain warned the banks to be "extremely vigilant about bad credits, because