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Labour and the politics of structural adjustment in Australia and Indonesia

By Mark Beeson and Vedi Hadiz

Over the last few years there has been a remarkable growth in the amount of scholarly attention given to the internationalisation of economic activity. While a good deal of interest has also been generated by concomitant and interconnected political developments, both domestically and internationally, less attention has been given to the impact of such developments upon workers and organised labour. And yet labour not only remains a potentially important influence upon the way international economic force are mediated at the national level, but it is an important index of the impact international economic change and the success of national policies of structural adjustment.

In this article we consider the ways labour in two quite different nations - Australia and Indonesia - have attempted to come to terms with changing economic and political circumstances. In particular, we examine labour's participation in the distinctive political accommodations that have developed in very different national contexts. A comparison of such disparate national political economies is valuable for several reasons. First it provides an important corrective to some of the more undifferentiated 'globalisation' and 'convergence' theorists, and the implicit suggestion that economic development is either unilinear or likely to generate similar political outcomes. Second, it illustrates not only the sorts of enduring differences in national political practices that are obscured in less nuanced accounts, but also highlights some surprising commonalities that are generally neglected by accounts which privilege the economic aspects of internationalisation processes. Third, this sort of comparative exercise has important theoretical implications. We shall draw attention to the respective national experience with different forms of corporatist social relations in particular, and consider the implications for state-society relations more generally.

The article is divided into four parts. In the first section we briefly consider some of the more important international developments to which national labour movements have had to respond. The second and third sections present case studies of the Australian and Indonesian experiences respectively. Particular attention is paid to the way in which state-capital-labour relations are defined within the context of specific historical and political experiences. The final section draws out the implications of this comparison and assesses its implications for both national labour movements. Although the historical setting in both countries is discussed, the major focus of attention is the last twenty years or so, when the internationalisation of economic activity became a greater influence on domestic policy.

The Changing Economic Environment

It has become a commonplace of international political economy literature to detail the internationalisation of economic activity that has occurred in the last several decades (Dicken, 1992). There is no intention to add to this voluminous literature here, other than by detailing some of the specific circumstances relevant to Indonesia and Australia below. Yet it is important to recognize that the internationalisation process has altered the circumstances confronting established labour movements in advanced industrial countries like Australia, as well as struggling ones in late industrializing countries like Indonesia. The enhanced mobility of productive and finance capital has greatly increased its power relative to predominantly immobile labour forces and national governments. Not only does footloose capital have the opportunity to play off one state against another, but it has the potential to demand 'favourable investment climates,' which in many cases has meant disciplining or placing restrictions on the activities of labour.

One of the most significant effects of the changes to the world economy has, therefore, been an increase the 'structural' power of capital (Strange, 1988). However, while the position of capital has clearly been enhanced by the restructuring of the international economy (Kolko, 1988), it is also important to recognize that making sense of such changes is an inherently political exercise. The notion of 'globalisation' has been accepted more or less uncritically by some scholars - as well as commentators and policy-makers¹ - generating rather generalised conclusions about the potential beneficial impact of such developments on individual governments and the social formations over which they claim authority. Yet as Wade (1996: 61) emphasizes, the world economy remains 'more inter-national than global.' Indeed, the international economic system was actually more 'open' in terms of trade and capital flows in the period before the First World War, than it was during the early 1970s (Thompson, 1996). What is significant about the notion of globalisation for our purposes is that it may be deployed discursively in order to define economic and political 'reality' (Cerny, 1996). National governments can invoke external competition as an implacable imperative which necessitates and legitimates domestic reforms and the development of more 'flexible,' 'responsible,' 'competitive' and generally disciplined labour forces.²

This is not to suggest that the globalisation discourse has no material basis. On the contrary, changes in the international organisation of productive processes have had a profound impact on the position of labour. Of most immediate significance here has been the trans-nationalisation of the production process itself. While not without its theoretical difficulties, Froebel et al's (1978) seminal conception of the New International Division of Labour (NIDL) drew attention to the way companies are increasingly able to disaggregate production processes and take advantage of a dispersed, global pool of labour. The potential mobility of international capital, even where it is directly tied to the production of goods and services, is a challenge to both national labour forces that increasingly find

themselves in direct competition with one another, and to the autonomy of individual governments.

Organised labour has been more directly affected by transformations in the nature of work and in the structure of labour markets (Reich, 1991). While the nature of such changes display important differences between countries like Australia and Indonesia, there are also some notable similarities. At one level this is not surprising: in an international economy in which individual governments are choosing to open national economic spaces to external economic forces, national policy autonomy is becoming increasingly constrained. In an era where the state itself is considered to be a major source of national competitive advantage (Cerny, 1990), the way the state-labour relation is mediated by national governments remains a major influence on the investment decisions of transnational corporations and the place of individual nations in the international division of labour. What is of significance here is that many governments have responded to competitive pressures by instigating policies of 'competitive austerity,' in which they seek to drive down domestic costs production oriented toward external markets (Albo, 1994).

Despite the ubiquity of some of these structural challenges to labour, there are contingent factors that distinguish each nation. Workers in late industrializing countries like Indonesia with a chronic over-supply of labour face major difficulties in developing effective labour movements. Though the relationship between the emergence of effective labour movements and the tightening of labour markets is far more complex than is usually conceded by neo-classical economists, a chronic labour surplus is clearly a constraint on potential labour power (Manning, 1995). Moreover, for many transnationally-organised capitalists operating in Indonesia, its attractiveness lies in its cheap labour and a generally unorganised labour force (Hadiz, forthcoming). Any change in these conditions could simply facilitate relocation decisions to the apparently endless supply of Third World countries offering some measure of political stability plus a cheap and domesticated labour force.

The particular problems facing organised labour in Indonesia and late industrializing countries more generally highlight the importance of the timing of the industrialisation process in terms of the specific sets of problems that it generates. As Winters (1996:218-9) observed:

While industrialisation unfolded in the North, most of the rest of the world either was excluded or took part as colonised suppliers of raw materials or consumers of imported goods. This arrangement not only fuelled the wealth of the North but also permitted labour to struggle against capital over the surplus from production (not to mention reshaping the broader political-legal milieu) without having to contend with direct competition from an almost endless supply of workers in the colonies who were far

poorer and had no hope of gaining wider political leverage. Colonies and colonizers were deeply intertwined and yet in important respects were quite insulated from each other. The great strides northern labourers made both economically and politically were promoted by this insulation.

The international context has now radically changed. The impossibility of any longer insulating immobile national labour forces, even at the early stages of industrialisation, from external competition and market pressures is an especially significant development for workers in late industrializing countries like Indonesia. While the timing of industrialisation is critical, it is also important not overlook the significance of the constellations domestic class forces that shape the specific trajectories of national economic development and political accommodation. Deyo (1987) suggests that some Latin American regimes pursued import substitution industries that fostered broad populist coalition - including organised labour - because they confronted substantial labour movements that could not be easily repressed. In contrast, East Asian developmentalist states - Singapore, South Korea, and Taiwan - were insulated from the need to accommodate worker demands because organised labour was already effectively subordinated and repressed before these countries embarked on export-led development strategies based on low-wage manufactures.

Thus, the way labour movements are incorporated (or excluded) from domestic political processes is largely dependent on their strength relative to the state and capital, be it 'national' or international, and the timing of the industrialisation process itself. The case studies below demonstrate that even where government-labour accommodations seemingly display theoretically similar 'corporatist' structures, their actual operation and deployment by government is highly contingent on specific historical and political contexts. Moreover, the manner in which nations respond to external economic imperatives continues to display a good deal of national variation and reflects the influence of domestic economic structures, particularly the way each national economy is articulated with the international one (Beeson, 1996a).

The following two sections consider how the impact of heightened external competition and the generalised restructuring of the international economy were mediated in the highly different settings of Australia and Indonesia.

Australia

The response of organised labour in Australia to the most recent phase of economic liberalisation cannot be understood without reference to the movement's historical role in Australia's economic and political development. The trade union movement has been one of the principal political forces that has shaped not only Australia's distinctive pattern of industrial relations, but also the wider accommodations reached between business, organised labour and the state. Indeed, the Australian Labor Party (ALP) developed as the political wing of

the trade union movement with the explicit, goal of advancing the interests of working people. Organised labour in Australia has been able to take advantage of fortuitous circumstances in the international economy to secure comparatively high living standards, and to institutionalise its own position in the: Australian political economy.

Since the end of the nineteenth century, wage determination in Australia has been a highly institutionalised, centrally determined affair, with a series of councils and tribunals operating under state auspices to set wage levels and ensure some degree of equity. Importantly, the establishment of an arbitration system to determine wage levels was seen by governments as a way of containing the labour militancy that had culminated in a traumatic and destructive series of industrial conflicts in the late nineteenth and early twentieth centuries. Ultimately, this produced a distinctive Australian 'historic compromise'. Castles (1988) suggests that in addition to the arbitration system, what he calls Australia's 'domestic defence' was characterised by the protection of manufacturing industry through a tariff protection scheme, the control of immigration, and an income maintenance system for those outside the labour market. In short, the state was the central actor in maintaining a distributional system which ensured some benefit for all, and which effectively insulated the Australian economic space from the wider world economy.

It was a system that endured in a relatively coherent form until the 1970s. From the late 1960s, however, external economic pressures caused the system to unravel, making wage determination increasingly difficult for the arbitration commission to manage (Dabscheck, 1994). High levels of global economic growth produced full employment in Australia, which in turn led to greater upward pressure on domestic wage levels, undermining the efficacy of the centralised system. Simultaneously, the limitations of Australia's inwardly-oriented industrial policies were becoming more apparent (Bell, 1993). Rapid Asian industrialisation to Australia's north placed increasing pressures on Australian-based producers and revealed the uncompetitive nature of much 'Australian' produce. Australia's manufacturing decline had two particularly noteworthy consequences: First, it increased Australia's reliance on increasingly volatile and less valuable commodity products; despite Australia's early industrialisation, policy failures conspired to make its export profile more like Indonesia's. Second, increasing exposure to international economic pressures and competition exacerbated a rapid decline in manufacturing jobs and union membership. For both Australian governments and organised labour, therefore, there were compelling incentives to try and revitalize domestic manufacturing industry, encourage exports and make 'the Australian economy' more competitive. ³

Australian Corporatism

In 1983, after a series of economic political traumas during the 1970s, the ALP was elected under the leadership of Bob Hawke, inaugurating a style of social relations in Australia that have been dubbed 'corporatist'. Before assessing the

Australian experience, it is important to distinguish what is meant by corporatism and how the Indonesian and Australian cases differ. Schmitter's (1979) important distinction between 'societal' and 'state' corporatism is especially useful here. The societal variant, predicated upon politically open and ideologically competitive systems is predominantly associated with industrialised liberal democracies like Australia. State corporatism, by contrast, is ideologically exclusive, based on one party rule, and associated with late capitalist development like Indonesia's. As we shall see, Australia's corporatist experiment was incompletely realised. However, what is of interest here is that, while very different to Indonesia's, Australia's attempt to forge a new relationship between state and labour in response to changing economic and political circumstances was driven by similar external imperatives.

Hawke's 'big idea,' and the centrepiece of his election triumph in 1983, was for Australia to develop a more 'consensual' approach to determining national economic outcomes, a strategy that achieved its most complete form in the 'Accord' with the trade union movement. As the ex-leader of the Australian Council of Trade Unions (ACTU), Hawke had the political authority and the trade union connections to impose a new pattern on Australian industrial relations. The Accord was initially envisaged as a comprehensive agreement between government and the trade union leadership to encourage full-employment through a range of policy initiatives on prices, wages and working conditions, non-wage incomes, as well as taxation and government expenditure (Stilwell, 1986). It rapidly became apparent that the Accord's more ambitious, corporatist agenda of including private business in a tripartite mechanism was fraught with difficulty. 'Australian business' was a highly disparate group of transnational and nationally based groups, with divergent interests that reflected the scale and sectoral location of the enterprises concerned. One of the few issues upon which businesses' various peak representative bodies could be guaranteed to agree was the necessity of ensuring management autonomy, particularly in the face of perceived growing union influence on government (McEachern, 1991).

The apparent increased influence of the ACTU leadership and the establishment of tripartite consultative mechanisms like the Economic Planning Advisory Council (EPAC) led some observers to suggest that an era of corporatist relations was emerging in Australia (Gerritsen, 1986). In retrospect, however, mechanism; like EPAC had little impact or business support (Singleton, 1986), and did nothing to diminish the structural power of capital. The possibility of any fundamental reordering of the balance of power between capital and labour was rendered less likely by the Labour government systematically implementing a series of economic reforms that were designed to make the market, rather than the state, the central determinant of economic outcomes. Indeed, the ALP's Accord relationship with labour allowed it to nullify potential political opposition to policies of deregulation and liberalisation that might have been vigorously opposed by the trade union movement had the ALP not been in office. An index of how pervasive the influence of market driven reform has been in Australia is

the extent to which the trade union movement or, more accurately, its elite representative body, has adopted the language and accepted the logic of market-oriented reform (Campbell, 1993).

The most immediate impact of the market reforms which the ACTU leadership supported has been a continuing decline in trade union membership, dropping from more than 50% of the workforce in 1976, to just less than 40% in 1992 (Western, 1996). Compounding and reflecting this decline has been a simultaneous reduction in manufacturing as a proportion of national GDP, falling from 20 to 14% since 1973/4, with the direct loss of some 400,000 manufacturing jobs (Colebatch, 1996). True, an entrenched level of high unemployment is not at problem that is confined to Australia, or even the western world, but what is striking about the Australian case is that it has gone further than most countries in instigating neoliberal reforms, despite there being little evidence to suggest that such initiatives have had a beneficial impact on economic outcomes in Australia. Indeed, the most notable effects of the deregulation process appear to have been heightened economic instability as a result of increasing exposure to the international economy (Argy, 1996), coupled with a growing disparity of wealth distribution in a country in which the notion of egalitarianism has figured prominently in national political discourse.

The high point of an alternative union vision for Australian industry that embraced socially egalitarian principles was undoubtedly *Australia Reconstructed* (ACTU/TDC, 1987), which provided a sophisticated, Swedish-inspired blueprint for comprehensive economic reform in Australia. The rejection of this more cooperative form of capitalism reflected both the government's commitment to continuing market-oriented, rather than state-directed reform, and the enduring power of private capital (Beeson, forthcoming).

By the time the union movement produced *Australia Reconstructed*, the Labour leadership was completely under the sway of influential orthodox economists and committed to pushing through the liberalisation process (Beilharz, 1994). Therefore, the Accord, rather than more fully-blown corporatist plans like *Australia Reconstructed*, became the preferred vehicle for advancing the interests of organised labour. Thus, despite a comparatively strong and apparently influential organised labour movement, the trade union leadership was co-opted into a quasi-corporatist regime which while ostensibly intended to manage the process of structural adjustment in Australia, effectively neutered the labour movement as an independent political force.

The Contemporary Situation in Australia

In retrospect one of the most striking developments under successive Labour governments has been a deep-seated transformation of the mechanisms with which industrial relations are conducted in Australia. In place of the centralised arbitration system, a new pattern of decentralised, enterprise level bargaining structures has been established (Brosnan and Bignell, 1994). The election in

1996 of a Liberal-National Party Coalition government seems certain to further entrench the move toward decentralised wage determination and the concomitant diminution of the trade union movement's influence in determining economic outcomes. This is hardly surprising: attempting to diminish perceived trade union influence has long been central to the Coalition's industrial relations strategy (Reith, 1989). Significantly the trade union movement and the Labour Party had themselves already adopted many of these ideas and made their subsequent institutionalisation by a Coalition government much less problematic. In Australia, then, organised labour confronts an ideologically hostile government, and the rapid reduction of occupations that have historically been the core of its industrial strength (Gregory, 1993). While influential voices on the left of the labour movement have called for a more militant form of 'strategic unionism' to challenge the neoliberal orthodoxy and promote alternative economic strategies, it is not clear how effective this will be given that the ability to take industrial action will be severely curtailed under the Coalition's government's Workplace Relationship legislation (Marris, 1996). Moreover, it is revealing that even the more 'radical' aspects of proposed union strategies are predicated upon a conception of 'the national interest' and the need for cooperating with business (Evatt Foundation, 1995).

During a decade of Labour governments in Australia, the trade union movement appears to have adopted the overarching rationale and language of its political wing, the ALP. Certainly, the embrace by labour of greater 'pragmatism' has not been a phenomenon confined to Australia but one which has been widely embraced by other developed economies. What the Australian case reveals, however, is that even with a broadly sympathetic government in office, Australian trade unions were unable to either maintain the numbers or living standards of members. Before assessing whether this sustains a more generalised point about the role of labour in an increasingly internationalised economy, and what sort of implications this may have for internationally-oriented trade union activities, it is appropriate to examine our second case study: that of Indonesia.

Indonesia

As in Australia, over the last decade or so there has been a shift in Indonesia to more export-oriented economic development strategies. The change has been driven by a desire to try and achieve a favourable niche in the NIDL, an ambition that is considered to require making Indonesia both attractive to international investors and increasing 'national competitiveness.' In spite of the continuing influence of strategies based on economic nationalism and self-reliance within sections of the state bureaucracy, the international neoliberal development orthodoxy has become dominant because of external competitive pressures and the restructuring of the world economy, especially the historic decline in oil prices. The revenue from the oil boom of the 1970s and early 1980s gave Indonesian policy-makers a high level of autonomy in relation to international capital, which enabled the state to finance development with little regard for the wishes and demands of foreign investors. The subsequent fall of international oil

prices resulted in that autonomy being greatly circumscribed. Indeed, the bargaining position of the Indonesian state vis a vis foreign capital state has fluctuated in accordance with the price of oil in the international market (Winters, 1996).

An important element of Indonesia's outward looking approach - given additional encouragement by key Western governments and international aid organisations, such as the World Bank and IMF - has been the drive to increase Indonesia's manufactured exports. This strategy is predicated upon making Indonesia attractive to international investors and increasing 'national competitiveness.' The emphasis has been on labour-intensive industries such as textiles, garments and footwear, taking advantage of Indonesia's cheap and abundant labour force. Indonesia's perceived comparative advantage in these sorts of industries has meant that stringent state controls over labour -- which predate the ascendance of the neo-liberal orthodoxy -- acquired renewed legitimacy and importance.

Labour Politics and History

However, it would be misleading to suggest that stringent controls over labour in Indonesia are attributable directly to the shift to a more outward looking development strategy in the last decade or so. On the contrary, they are the product of political struggles which pre-date the establishment of the New Order in 1966, mainly involving the army and the Indonesian Communist Party (PKI). Until the bloodbath which accompanied the establishment of the army-dominated New Order, the PKI presided over the largest and most active trade union federation in the country, SOBSI (Sentral Organisasi Buruh Seluruh Indonesia; the All-Indonesia Central Workers' Organisation). SOBSI's elimination, together with the PKI, automatically meant that labour would be significantly weakened as a social force at the onset of the New Order.⁴ Thus, from this point on, state planners would largely be insulated from the demands of organised labour when charting development strategies.

In 1973, as the culmination of a long and complicated process of elite-initiated manoeuvres, the remaining labour organisations - most of whom had aligned themselves with the army against the dominant SOBSI- were cajoled into establishing the FBSI (Federasi Buruh Seluruh Indonesia; All-Indonesia Labour Federation) as the sole, state-sanctioned labour entity (Hadiz, forthcoming). With the establishment of the FBSI the labour movement was directed to confine itself to the strictly 'social and economic' realm (Sudono, 1981), and to eschew overt engagement in politics. Under the New Order, a vigorous labour movement independent of the state has been consistently regarded as a potential threat to the maintenance of order and stability, considered essential to the pursuit of economic development. In 1974, the doctrine of 'Pancasila Industrial Relations' established a distinctive form of state-capital-labour relations in Indonesia, on the grounds that Indonesia required a framework rooted in its authentic cultural values, which supposedly emphasised harmony and co-operation. In this essentially corporatist world-view, the state is conceived as playing the role of

benevolent father to capital and labour, while industrial action is seen to contravene the principle of harmonious relations.⁵

In 1985 the FBSI underwent a transformation into the even more centralised, hierarchical, and therefore more easily controlled, SPSI (Serikat Pekerja Seluruh Indonesia, All-Indonesia Workers' Union), before yet again being re-christened in 1995, as the FSPSI (Federasi Serikat Pekerja Seluruh Indonesia, Federation of All-Indonesia Workers' Unions). The main role of the union in its various incarnations is to prohibit the development of labour organising vehicles outside of the control of the state. It is significant that the initial transformation of the FBSI into the SPSI took place at the same time that Indonesia embarked on its export drive, and followed a period of increased military intervention into labour affairs, especially in the quelling of strike action. Thus state corporatism in Indonesia has clearly been predicated on the control and demobilisation of labour as a social force.

The Contemporary Situation

In recent years, however, the monopoly enjoyed by the state-backed union has been challenged by a proliferation of independent organising activities which have often taken place in conjunction with labour-based non-government organisations (NGOs). Some have attempted to establish alternative trade unions (which the government has not recognised) while others work in lower-profile groups at the community level. Thus, analysis of labour's response to changing economic, social and political conditions in Indonesia cannot be confined to the official, state-legitimated corporatist structures which a growing number of Indonesian workers reject.

Indeed, contradictions have begun to emerge within the framework of state-capital-labour relations as Indonesia's urban industrial working class grows and slowly matures. In spite of stringent state controls over labour, the 1990s, have witnessed a major escalation of working class organisation outside the (F)SPSI and greater industrial unrest. Most of these cases of industrial unrest have had to do with demands for higher wages and better working conditions, while others have involved issues pertaining to the freedom to organise. In 1989, for example, when labour was perhaps most quiescent (following widespread military intervention into labour affairs), there were, according to official statistics, only 19 cases of strike action in all of Indonesia. However, in spite of a repressive social and political context, official statistics note 350 cases of strike action taking place in 1996, though even this must be treated as an extremely conservative estimate as many strikes go unreported (Pulahta Setditjen Binawas, 1996). Indeed there has been a dramatic escalation of labour unrest throughout the 1990s. In Australia, by contrast, thanks largely to the Accord, strike activity has declined dramatically over the last ten or fifteen years (Peetz, 1996).

In Indonesia, repressive actions designed to curb labour unrest and the possible development of a non-state sanctioned labour movement continue. The response

of the government has been to adopt a 'carrot and stick' strategy which maintains strict control over such labour rights as freedom to organise, but allows for periodic increases in the state-defined minimum wage. Between 1990 and 1997 the minimum wage in the Jakarta area, for example, has virtually tripled (though it still less than US\$ 2.50 per day). Significantly, these reforms have been carried out in spite of business protests about the purported threat rising wages may pose to Indonesia's export competitiveness and the success of the export drive. The fact that the labour unrest is continuing suggests the policy of raising the minimum wage to placate workers has not been entirely successful.

It is notable that business suggestions that the rise in minimum wages has caused intolerable burdens have usually been dismissed by the government. Indeed, the Minister of Manpower, Abdul Latief, has argued that because labour costs constitute such a small portion of total production costs, the rise in minimum wages will only have a marginal effect (Forum Keadilan , 1995), Latief's insistence on raising wage levels despite business protestations - including those of some overseas investors - is designed to curb industrial unrest without conceding the more politically-charged issue of the freedom to organize. The kind of accommodation that Latief is seeking to establish is one that incorporates some of the demands of workers for better wages, but which does not allow for the unraveling of existing state corporatist arrangements. Consequently, recognition of alternative trade union federations remains out of the question. In the specific context of contemporary, very late industrialising Indonesia, business is an essentially conservative force that has hindered an enduring accommodation with labour. The stance adopted by capital toward labour in Indonesia is attributable not only to the continuing weakness of labour itself, but also to the deeply-rooted perception in the business community that the state's principal concern remains the maintenance of order and stability. For example, the manager of one European textiles firm pointed out that 'when it came to the crunch, we can rely on the security forces to restore order.'⁶ The phase of reformism, he conjectured, would pass by. In addition, businesses are keenly aware that the high level of surplus labour in the market acts as to undercut labour's bargaining position. Phil Knight, Chief Executive Officer of Nike, when asked about the subsistence-level wages paid to workers pointed out that 'there were thousands of Indonesians lined up outside the factory gates, waiting for jobs.'⁷ Significantly, much of the surge in foreign investment in Indonesia's manufacturing sector since the mid-1980s has come from East Asian NICs like South Korea, where firms have been troubled by rising labour costs and unrest (Thee, 1993; Shin and Lee, 1995). The owners of such mobile assets are keenly aware of their ability to move again if the investment climate in Indonesia becomes less attractive.⁸ Indeed, internationally mobile capital is now in an especially strong bargaining position vis a vis immobile states and working class movements like those of very late industrialising Indonesia.

Thus, the current international context and the domestic configuration clearly do not facilitate an accommodation between state, capital and labour in Indonesia

which is generous to organised labour. Australia's industrialisation occurred in a less internationally competitive atmosphere, allowing the possibility of a far more generous accommodation. Labour in Indonesia has found it more difficult to develop and organize not simply because of its weakness compared to the state and capital, but because of international competitive pressures that continually undercut its bargaining power.

Discussion

A comparison of the Indonesian and Australian experiences reveals some surprising similarities as well as more predictable differences. Both are important, firstly as correctives to an undifferentiated globalisation thesis, and secondly because they shed light on the generally neglected role of labour in this process. In both Indonesia and Australia national governments have developed - or at least experimented with - forms of corporatist social arrangements as a way of adjusting to the demands of international economic structural adjustment. However, the historical experiences of the two nations are significantly different, having been shaped by contingent domestic forces. In Australia, the independent and historically influential presence of organised labour within the Australian polity meant that the particular corporatist-style accommodation reached between labour and government during the 1980s was 'consensual,' voluntaristic and embedded in a broadly pluralist political tradition. As we have seen, corporatism in Australia was always tentative and incomplete, the result of capital's failure to cooperate, and a government-inspired, market-oriented policy framework that effectively undercut the possibility of more cooperatively negotiated economic outcomes (McEachern, 1991). What is significant for our purposes, however, is that something approaching a corporatist strategy was seen as appropriate given Australia's deteriorating economic position.

In Indonesia, corporatist-style arrangements were also seen as central to government strategies of economic adjustment and political stability. Here, however, Indonesia's very different historical experience and trajectory meant that it was 'state' rather than 'societal' corporatism that prevailed, and a rather different political logic that informed it. Indonesian corporatism had its origins in the intense political struggle between sections of the labour movement which supported the Communist Party and the army in the pre-New Order period. Given this historical legacy, it is not surprising that the army-dominated New Order had maintained that a politically domesticated labour movement is an essential ingredient of successful economic development.

At present, the patterns of government-labour relations in Australia and Indonesia appear to be diverging, convergence theories notwithstanding. Whereas Indonesia appears to be attempting to retain a form of state corporatism that ensures continuing control of labour, Australia's current Liberal-National coalition government seems intent on dismantling any remnants of state-sponsored wage determination or nationally based negotiation with labour. Despite this apparent divergence of approach, striking resonances in overall

governmental logic remain. In both countries the spectre of globalisation in particular and the implacable pressure of international competition in general have been invoked to justify and legitimate different policy initiatives. For example, the notion of globalisation is routinely deployed in Australia to explain the current strategy of promoting labour market and workplace 'flexibility': to make 'Australia' a more competitive place it is important to remove impediments to the efficient operation of market forces within the national economy (Henderson, 1997).

In Indonesia, globalisation and the threat of international competition have been similarly invoked, but to serve a distinctive contingent political purpose. To ensure Indonesia's advantageous integration into global structures government strategy is predicated upon retaining control of its principal attraction to footloose multinational corporations - disciplined and competitively priced labour. Moreover, the overarching logic that underpins Indonesia's distinctive response to the exigencies of international economic restructuring has also helped to legitimise the kind of corporatist structures that facilitate government control over society-based forces and movements, particularly the labour movement.

The governments of both countries, then, have utilised the idea of international economic change to legitimate policies that reflect the interests of powerful economic and political forces within each nation. While specific policies and forms of accommodation between government and labour may differ for a range of contingent historical reasons, the overarching logic of internationally driven domestic reform is common to both. Governments in both countries, therefore, show a surprising degree of similarity in important elements of their strategic thinking, something that is reinforced by a wider international consensus (Gill, 1993). Indeed, in a significant extension of this externally derived legitimisation and ideational influence, certain 'Asian values' have been approvingly cited by conservative political leaders in Australia in support of repressive political initiatives (Rodan and Hewison, 1996). Contrary to the more optimistic predictions of modernisation theory or believers in the 'end of history,' therefore, ideational influence is not a one-way street leading from 'west' to 'east' with the liberal democratic state as its inevitable terminus.⁹

The Limits to Solidarity

Given the historically different patterns of development, social practices and political traditions in Australia and Indonesia, what are the possibilities for cooperative activity between the two countries - especially their respective workforces - in an effort to overcome the structural disadvantages imposed by the emerging global economic order?

A contemporary dispute in Western Australia, a state dominated by a conservative Liberal-National Party coalition government, illustrates some of these issues and suggests there is little basis for optimism. Controversial industrial relations reforms which radically undermine the organisational capacity

and strength of organised labour have been enacted by a state minister who specifically cited the Asian models of industrial relations as his principal influence (Pryer, 1997). Despite the unprecedentedly low levels of industrial disputation and an overall decline in the cost of labour that the previous Accord mechanisms delivered, governments in Australia at both the Federal and state levels are taking advantage of changing domestic and international economic circumstances to consolidate labour relations reforms that are inimical to labour and appear ideologically driven. Importantly, they are subscribing to an Asian benchmark.

The dispute in Western Australia also illustrates the strategic difficulties faced by labour in an increasingly internationalised environment. The principal constraint continues to be its relative immobility compared with that of capital. Capital's increased geographical mobility and the implicit threat of withdrawal means that individual transnational corporations can successfully play off one country against another, and even nationally based subsidiaries within the same company (Barnett and Cavanagh, 1995). In addition, Wood has persuasively argued that there has been a direct transfer of some 9 million manufacturing sector jobs from the 'North' to the 'South' (Wood, 1994). This statistic is less surprising when the enormous difference in hourly labour costs between Australian and Indonesian workers is taken into account. In 1995 the total hourly cost of labour in Indonesia was 30 cents. In Australia, it was \$US 14.40, or 48 times more expensive (The Economist, 1996). The implicit leverage enjoyed by comparatively mobile firms in such circumstances means that the possibility of either resisting the demands of capital or establishing fraternal linkages based on common interests with labour elsewhere is clearly reduced. The critically important 'insulation' that geographically separate workers used to enjoy, and which effectively protected different standards of living is being eroded (Winters, 1996). Moreover, rather than providing the material base for a more broadly-based and internationalised working class as the likes of Levinson (1974:141) imagined, it has actually provided opportunities for internationally mobile capital to fuel rivalries between the more advantaged and disadvantaged workers located within individual nations.

The potential for international cooperation remains limited, therefore, but not just by the enhanced power of capital. The logic of market-centred reform has become so pervasive in countries like Australia that the union movement's strategies - at least at the peak level - have become ambivalent and contradictory. The leadership of the International Confederation of Free Trade Unions (ICFTU, 1995:11) - to which the ACTU is closely allied - is at pains to suggest that labour needs to be a cooperatively ally of business in a regional developmental context, a process to be guided by the Asia Pacific Economic Cooperation (APEC) forum. Indeed, labour strategy toward these emergent and increasingly influential economic for a like APEC is predicated upon obtaining 'insider' status and influencing its policy agenda (Evatt Foundation, 1994:253),

despite APEC's dominance by champions of greater deregulation (Beeson, 1996b).

Indeed, the ACTU leadership in Australia appear to have become so accustomed to acting within an elite governed, corporatist framework, predicated upon authorised interest representation and privileged trade union access to government that they have consequently and conspicuously failed to recognize independent, non government-sanctioned unions in Indonesia (Casey, 1994). Though critical of the SPSI central leadership, former ACTU chief Martin Ferguson, for example, made revealingly dismissive public remarks about the SBSI (Serikat Buruh Sejahtera Seluruh Indonesia: Indonesian Prosperous Workers Union), a fledgling independent union, while the organisation was under siege from the Indonesian government.¹⁰ Similarly, senior ACTU official Alan Matheson expressed support for some dubious Indonesian government-initiated labour reforms, while casting doubt on the legitimacy of the SBSI as a trade union.¹¹

Under various ALP governments the ACTU was generally supportive of policy toward Indonesia that attached considerable importance to developing closer government to government relations (Lawson, 1996). Despite US trade unionists criticizing the Australian government's failure to support trade and labour rights issues in the GATT forum, Prime Minister Paul Keating urged President Clinton to 'soften' his stronger human rights stance on Indonesia in order to curry favor with Indonesian President Soeharto (McIntyre, 1996).

The comparative weakness of labour's overall international position is revealed by World Trade Organisation's capacity to enforce a neoliberal agenda of trade liberalisation, which stands in stark contrast to the International Labour Organisation's reliance in 'moral suasion' to encourage recognition of labour rights (Charnovitz, 1995). The idea of a 'social clause,' designed to establish a minimum benchmark for labour conditions and avoid a mutually destructive 'race to the bottom' as nations employ competitive austerity strategies is attractive, but has dependend on international brandname producers, such as Levi-Strauss and Nike developing international codes of conduct, which their subcontractors, at least nominally, have to abide by. But as van Liemt points out, it is not obvious why such agreements should be restricted to the traded sectors of national economies, rather than more broadly conceived questions of human rights within national borders (van Liemt, 1989).

At one level, labour's dependent position is simply a reflection of the enduring and growing 'structural power' of capital private business has always been able to use the implicit threat of capital strike or flight to ensure that its interests are uppermost in the minds of national and international policy makers (Gill and Law, 1989). However, at another level, the power of capital over labour has been enhanced by deep-seated changes in an increasingly internationalised economy. Not only is capital more mobile and transnational, but a world-wide growth in structurally entrenched unemployment has effectively undermined the sorts of

post-war accommodations that were embodied in welfare statism (Kapstein, 1996). In both Australia and Indonesia, such changes have major implications for governments and labour.

In Australia, the current Coalition government has used changes in the global economy to justify alterations to Australia's domestic accommodation, winding back the quasi-corporatist Accord arrangements and systematically attempting to utilize business to mount a concerted attack on organised labour (Long and Murphy, 1997). Faced with such inherently unfavourable conditions, labour in high-wage Australia has found itself forced to cooperate with local companies in order to achieved higher productivity and production flexibility and slow the shift of manufacturing off-shore (van Liemt, 1992). In Indonesia the government has maintained state corporatist arrangements as a way of maintaining stringent controls over labour and minimizing potential social disruption. Workers are told that their demands are eroding Indonesia's attractiveness - vis à vis other low wage countries like China and Vietnam - as an investment site for labour intensive production. In both countries, however, the external world economy has provided both the imperative and an important justification for the 'necessity' of policies that might otherwise have attracted greater resistance.

Conclusion

Although the degree of globalisation that has occurred over the last decade or so may have been overstated it has, nevertheless, provided a critically important source of leverage both for potentially mobile international firms, and for governments intent on pursuing policies aimed at controlling the potential influence of labour. While the techniques employed may reflect specific national circumstances and the place of local economic activity in international production structures, the leverage over labour that the reality and the rhetoric of globalisation provides for national governments is universal.

Nor is it obvious what strategies labour might employ to counteract this fundamental shift in the balance of power between capital and labour. Not only does labour not enjoy capital's mobility, neither does it have a generalised, trans-national set of interests to mobilize behind. As this case study demonstrates, the internationalisation of economic activity is throwing nationally-based, relatively immobile labour forces into competition with one another. Not only do these labour forces display great differences in their historical experiences and relations with national governments, they often have relatively little in common with each other. Indeed, trade union leaders in developed countries like Australia have been complicit in trying to maintain a world order in which they enjoyed a privileged position. Hopeful claims about 'the objective conditions for international working class solidarity' notwithstanding, labour forces in different countries are finding it difficult to establish common interests, let alone strategies in the face of capital's increasing power.

The developments outlined above have profound implications for advanced industrial countries like Australia as well as late industrializing ones like Indonesia. If there is a clear link between labour strength and policies of domestic compensation, as Garrett (1996) suggests, then the further unraveling of the welfare state seems a likely prospect in Australia. Indonesian workers, on the other hand, are following an historical trajectory which is significantly different from the early industrializing nations. Given the specific context and timing of industrialisation, their struggles will not simply replicate the sorts of political accommodations which emerged as the product of earlier class conflict in Europe or Australia. Although it has been possible for Indonesia's workforce to make marginal improvements in its position, its future well-being is not assured. While nation-states continue to privilege the interests of trans-national capital over those of domestic labour-forces, and allow increasingly mobile international capital to play-off one labour force against another, the continuing, I decline of labour's collective international position seems certain.

Notes

- (1.) For an Australian example of this sort see, Catley (1996). For Indonesian examples of the growing faith in globalisation and the market, see Chapter 6 of Chalmers and Hadiz (1996).
- (2.) A good example of this phenomenon was provided during recently elected Australian Prime Minister John Howard's first trip to Japan. Howard assured Australia's principal trade partner and a major investor in Australia that labour market reform was a central and inescapable part of the new government's agenda Gordon (1996).
- (3.) Not only has the notion of a 'national economy' become increasingly problematic in an increasingly internationalised economy dominated by multinational corporations, but the 'competitiveness' discourse shifts the burden of adjustment onto national workforces who are played off against each other and pressured to deliver ever greater productivity increases (Bryan, 1995).
- (4.) In spite of its marginalisation throughout the New Order, the labour movement has had a long history in Indonesia. As is suggested in the works of Ingleson and Shiraishi, this history stretches back to the early period of the nationalist struggle (Ingleson, 1986; Shiraishi, 1990). Sections of the labour movement were quite militant during early independence and effectively spearheaded the nationalisation of Dutch and other foreign-owned companies in 1957 (Hawkins, 1963).
- (5.) See, for example, Ali Moertopo (1975) The Pancasila or 'Five Principles' refers to the state ideology which upholds 'Belief in One God,' 'Humanitarianism,' 'Indonesian Unity,' 'Consultative Democracy,' and 'Social Justice.'
- (6.) The identity of the interviewee as well as details of interview are undisclosed by request.
- (7.) Quoted in Nike in Indonesia (1995).
- (8.) Interview with Chung Dong-Jin, Korean factory-owner in Jakarta, 30 March 1994.

- (9.) It is significant that many of these more utopian readings of historical development either ignore or understate the crucial role that labour, through trade unions and socialist parties, played in the development of democratic political frameworks in the first industrializing nations of Europe. For a critique of such a reading see Therborn (1977), Rueschemeyer, Stephens and Stephens (1992). For the most influential of the utopian works, see Fukuyama (1992).
- (10.) SBS Television, Dateline (aired 3 December 1994). It is worth noting that Ferguson has also followed Bob Hawke's lead, and used the ACTU leadership as the basis for a political career in the ALP.
- (11.) Memorandum to Len Cooper (Australia-Asia Workers Links), 23 March (1994).

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