

**Trade Union networks within multinational corporations as a labor response to the economic globalization**

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**ABSTRACT**

Academic study on the construction of trade union networks within multinational corporations carried out by Central Única dos Trabalhadores – CUT, a Brazilian Labor Congress, concerning the international relations theories and their importance for the workers organizations, their collective struggles, and their possibilities of emancipation, as a class.

**KEYWORDS**

International actors - Labor networks - Multinational corporations - Globalization.

## INTRODUCTION

At the end of 2001, the CUT – Central Única dos Trabalhadores, Brazil's major labor congress, through the International Relations Department, -- at that time directed by Kjeld Jakobsen and having José Drummond, author of this study, as one of his advisors, -- realized that something should be done to help the Brazilian trade unions, mainly those affiliated to the CUT, to establish the necessary conditions to face the current vogue of mergers, incorporations, expansions, and dominance of the negotiations by multinational corporations in Brazil, which, according to the Central Bank, had reached the number of 11.404 registered foreign companies.

The situation had become even more difficult, since, in this same period, the CUT realized that the Brazilian trade unions were unable to participate in the Trade Unions Networks and World Committees of multinationals, which had been recently boosted by European trade unions and international federations. Their intent, with fair concern for the trade unions from the central countries, was to prevent the exploitation of the workforce under poor and degrading conditions, without, at least, taking into account the international conventions and labor standards.

At that time, there had been some successful international experiences to serve as a parameter for the future of the labor movement and its organization and negotiation trends. In addition, some labor networks had already been launched and some framework agreements were in force.

The FNV (Dutch Federation of Trade Unions), the major labor congress in the Netherlands, was one of the most interested in this matter and decided to invite other labor congresses, from both central and peripheral countries, where subsidiaries of Dutch companies were established, to send union representatives to Amsterdam with the purpose of discussing the creation of International Solidarity Networks. The Anglo-Dutch-capital-based Corporation, Unilever, was the first one to hold a meeting.

In order to attend the FNV's request, the CUT invited two affiliated trade unions, plus one non-affiliate to go to Amsterdam and participate in the meeting. Those unions only met each other in Holland. At that time, they were not aware that Unilever already had 14 subsidiaries or branches in different states of Brazil, in the chemical, cleaning, personal hygiene, and nutritional fields, encompassing a mass of about 5.000 workers.

In Amsterdam, they were impressed to learn that their colleagues from India already had a National Federation of Unilever Unions, a network that organized 102 plants with nearly 50.000 employees in several states of India. In all of them there were shop stewards elected by the members affiliated to the local union.

The evaluation, after the Amsterdam meeting, recommended that the Brazilian trade unions representing multinational corporations in different workplaces should be encouraged to organize themselves, so that they could participate in existing networks and others yet to be created..

Based upon the networks theory - widely used for analyzing international relations and which, according to Manuel Castells, pervades not only our society, but also the organization and strategy of global multinational corporations – we intend in this paper

to lay the foundations for the creation of labor networks in multinational corporations, used by CUT as a strategy, and as the trade union response to the capitalistic economic globalization process underway.

We also want to study how these labor networks are created within multinational corporations, taking into account the theoretical underpinnings of the labor movement, more specifically within the Marxist and Marxian concepts, presented by different authors. Our attempt is to find out whether these labor networks could or could not exist and survive, as the labor response to the economic globalization at the end of the 20<sup>th</sup> century and early 21<sup>st</sup> century, without accepting what Adam Przeworski mentions in his work: that the struggle for socialism has been abandoned and union leaders undertook the commitment with the "consent of the exploited", which led workers to a "moderate level of activism", that can, at the same time, provide them with some gains and improvements in their living standards, and also ensure the survival of capital, in a more democratic and less wild manner. To put it in a nutshell, whether the desired and/or necessary changes are only possible in a given socio-political situation within the limits of a Social Democracy.

We hope to examine whether this strategy of labor networks can yield results in terms of improvements for workers in general and, mostly, for those connected to the multinationals prioritized for this strategy. In that sense, we will discuss our hypothesis, taking into account the historical and political period in Brazil and worldwide, as well as the emergence of labor networks in different trades covered both by CUT and by the selected multinationals, addressing their justification and relevance.

With those elements we intend to carry out a study which, besides providing the theoretical basis for this union strategy; evaluates future trends based upon the Marxist concept of class struggle and its validity in the current phase of restructuring of the international work organization. We will focus on the network activities carried out by the one we consider the fundamental actor of the international relations: the multinational corporations.

## **CHAPTER I**

### **I.1 The history of the world, according to Harvey**

We want to begin this chapter with the following question posed by David Harvey (<sup>1</sup>): "How and why the world history (the outcomes of the class struggles in Marxian versions) is dissolved in geopolitical conflicts, often of very destructive nature. Could they be considered as a matter of mere accident? This may be enrooted in political-economic processes that force capitalism to undertake uneven geographic development characteristics, leading it to the search for a series of spatial remedies for the problem of over-accumulation. However, the conversion of politics to an aesthetical level that accompanies this geopolitical shift should also be taken seriously".(Harvey, 1989)

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<sup>1</sup> We started our work mentioning David Harvey on the basis of his importance for the social sciences, in order to explain the "entangled" social picture, not only the construction and operation of unions' networks but also the transformations of capitalism in this century.

Considering Harvey's thinking, it could be interesting in this study to address the need for a specialization (in the geopolitical sense) of the capitalist mode of production, as a "sine qua non" condition for maintaining the very system. Although, in the Manifesto, Marx said that "...the bourgeoisie unified the world through trade...", causing a historical advancement, we can infer that the current phase of economic globalization may be one of those necessary measures, under the viewpoint of the capital, aiming at the survival of the system and based upon the pursuit of endless growing profits.

If Marx was able to demonstrate this "unification" through trade, during the century he lived in, today, by reading several authors, as well as reports by the UNCTAD, we can perceive that the capital has turned into a "global network of oligopolies corporations", specialized in different trades, moving around in the search for cheaper labor (China), deregulation, and free trade.

According to Wladimir Andreff <sup>(2)</sup>, the underpinnings of this phase are the multinational and transnational corporations operating in networks (Castells, 1999), which, if we can say so, in the present context update the definitions found in K. Marx and F. Engels, in the Communist Manifesto <sup>(3)</sup> when they mention the "world market" and the "bourgeoisie unifying the world through trade". Marx even devoted some attention to examine the role of the East India Company as being, if not the first, one of the first multinational corporations in history <sup>(4)</sup>.

## **I.2 The global multinational corporations at the end of the 20th Century and beginning of the 21st Century - a brief analysis.**

Some recent trends observed in the actions of multinationals, as analyzed by Andreff and Harvey, lead to the *vertical disintegration and specialization*, after the end of the previous trend of vertical unions, that sought to control the entire productive chain, and also the *valorization attributed to horizontal relations* with subcontracting, outsourcing and the segmentation of the productive process through the international network. Yet in another aspect, they *seek to be present in the market on a global scale*, by making alliances and mergers, forming global oligopolies in "core business" key sectors, all through networks.

That is how a global company is reborn: networking with the headquarters, making a strategic programming that attributes to each subsidiary or associate a "task" or "mandate" (to be in charge of parts of the product or service).

The subsidiaries specialize in certain products and maintain, among themselves and with the headquarters, transnational subcontracting relations in network.

As to the productive process, observation demonstrated that it is segmented and relocated by multinationals, according to the market and to the comparative advantages they can get. That implies, as we will explain further on, serious impact on the workforce worldwide, mainly dividing the unions' representation, disorganizing the

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<sup>2</sup> Andreff, Wladimir, *Multinacionais Globais*, EDUSC, SP, 2000.

<sup>3</sup> Marx K., Engels Friedrich, *Manifesto Comunista*, Fundação Perseu Abramo, SP, 1998.

<sup>4</sup> Marx K., article published in the New York Daily Tribune, Marxist Internet Archive, Ago/07.

trade unions and thereby causing the reduction of wages and benefits, according to the decrease in the negotiating power of trade unions.

While multinationals keep strategic sectors for research and development of products and services, using highly qualified and highly paid workforce, *linked to networks of intensive production of intellectual knowledge*, therefore creating higher profits in the central countries, they simultaneously transfer the manufacturing and assembly plants to regions with better comparative advantages in peripheral countries, where they can use intensive manpower, with less qualification and less payment, *linked to low value-added production networks*, generating also lower profits in those areas. <sup>(5)</sup>.

On the other hand, the processes structured upon global networks of distribution, advertising, and after-sales services are located in more advantageous areas, requiring employees with an appropriate level of qualification and yielding profits higher than in manufacturing areas.

In the example below, we can observe that the high profits are not in the production, but in the service sectors, as in the case of Nike shoes made in Indonesia and sold in Germany for \$100:

PRODUCTION 12%	BRAND 33%	DISTRIBUTION 55%
Production and costs 9.6%	Costs 8.5%	Freight and taxes 5%
Wages and obligations 0.4%	Researches 11%	Storage + AT 50%
Profits from the manufacturer 2%	Brand Profits 13.5%	

Nevertheless, it seems that in high-income countries with greater input of FDI (Foreign Direct Investment), which take part in the list of OECD members, the industrial production decreased as compared to the service sector. The industrial employment in developed countries (OECD) dropped from 29% in 1995, to 25% in 2005. The opposite occurred in underdeveloped or developing countries, increasing from 19% in 1995, to 20% in 2005, according to the same UNCTAD report. This can serve as evidence that multinationals tend to relocate production through networks.

Also, according to the "Report on the World Social Situation" (UN, 2005) there is a gap between the structured and the unstructured economies, a growing distance between qualified and non-qualified workers, and an increasing disparity among issues concerning health, education and opportunities for social, economic, and political participation.

Therefore, it becomes clear that the technology and knowledge included in the products and services offered to the market is increasing, and the corporations, especially the multinationals, seek to profit from employing a highly qualified workforce -- in highly industrialized countries --, which researches and develops these new technologies in the labs of multinationals, which, on their part, are strongly "entangled" to local universities that support their researches.

<sup>5</sup> UNCTAD, 2004, Intl Report, in FES (Friedrich Ebert Stiftung) 2007, cdrom.

Those activities add much value and, in order to be produced and operated, they need an environment of constant interaction, with networks connecting those knowledge-producing employees, which has only been possible in developed countries, also known as central countries.

This is one of the reasons why the multinationals and transnational corporations move certain activities to peripheral countries, that is, the less developed ones, with intensive use of cheaper and less qualified labor.

It is also correct to state that the FDI (foreign direct investment) can allow the transfer of knowledge and new technologies to the corporations established in peripheral countries, but that will depend on the existence and maintenance of local State policies favorable to foreign capital. We have such examples in Asian countries like Korea, Singapore and, more recently, China.

### **I.3 An overview of employment in the globalization context**

The report on the ILO 95<sup>th</sup> Annual Conference 2006, portrays the rising unemployment in OECD countries, going from an annual rate of 3% on average during the 60's, to 7% on average in 2004. In the last fifteen years the workforce worldwide has increased 1.7% while employment rose 1.4%.

The unemployment evolution in the world, according to the same report, rose from 100 million in 1990, to 160 million people in 1999, and, in 2004, to 193 million, out of which 86 million (44%) are young people between 15 and 24 years old.

However, what kind of jobs are we discussing in this time period of globalization, after the end of custom tariffs and trade barriers, with the existence of free trade agreements and the expansion of the right to move the capital around the globe, breaking up national borders through the use of information technology?

What kind of jobs are we discussing when we study the multinational corporations' actions through networks around the world? This is a fundamental issue for the development of my research in this monograph.

Thus, we would like to consider as a contribution for this monograph, the articles by Prof. Gilberto Dupas, coordinator of the GACINT - International Conjunction Group at the USP, who postulates the premise that global capitalism has created mostly low-quality jobs and in less quantities<sup>(6)</sup>.

"Remunerated work, an essential activity for the economic and social engagement of human beings in society, is in crisis. Contemporary global capitalism swapped loyalty for immediate productivity and ended the age of gold watches as a prize for long-time dedication. No one else has long-term employment guaranteed with the current employer. Their own individual capabilities, acquired through study or experience, become obsolete every eight or ten years. The jobs will be increasingly turned into tasks or projects with defined duration".

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<sup>6</sup> - O futuro do trabalho, in OESP, 6/10/07, pg 2, 1º article

Multinationals make plans to launch a certain product or service and the workforce recruitment is entirely linked to the success or failure of that plan. In Brazil, between 2005 and 2006, we observed the pressure exerted by the German assembler Volkswagen upon the union and the State, through a capitalist blackmail strategy, in order to force workers to accept a certain remuneration per hour of work, less benefits, and all of that tied up to the use of a certain number of workers and for a certain time period, as long as the State would accept to reconsider some taxes and to adapt the infrastructure to their commercial needs. They determined who would be directly employed and who would be outsourced.

In a situation like that, the trade union has little strength. This issue will be addressed in the next chapter, and the following one will deal with the need to organize international trade union networks, in order to confront those blackmailing strategies from the global capital.

However, coming back to Prof. Dupas' article, "[...] It is a radical change as compared to the end of the 1960's, ... In the golden age of the post-war capitalism, when raw materials entered through one door and finished cars emerged through another door, a certain "social ethics" was in force, taming the class struggles and guaranteeing - mostly in Europe, but also in the United States -- benefits such as education, health, and retirement pensions, then considered to be universal rights". Those issues will be addressed in the third chapter of this monograph, using as a premise the Gramscian and Marxian foundations raised by Adam Przeworski.<sup>(7)</sup>

Continuing with his article, "[...] The new capital is impatient, evaluates the results much more on the basis of the prices of stocks than on dividends. What matters to those investors is the ability of corporations to be as flexible as an MP3, with the possibility of changing, at their discretion, the sequence of production and outsourcing everything whenever possible".

#### **I.4 Brazil in this history**

We can't speak of Brazil, the place where we want to examine our hypothesis, without viewing it as a country inserted in the periphery, an area under the influence of the North-American empire: Latin America.

In this sense, we think it would be interesting to reproduce an excerpt from Ruy Mauro Marini's historical and political conceptualization of the Latin American integration, and particularly Brazil's integration in the world market:

"[...] The link with the world market "... "Viewed in its broader historical perspective, the integration of Latin America to the imperialism is a condition for the survival of the imperialist system. The super-exploitation of labor upon which the imperialism is based, and under whose sign they intend to integrate the countries of the region, establishes an imbalance between the development of productive forces and the production relations, which can only result in the collapse of the system as a whole, with all that it represents in terms of exploitation, destruction and degradation. On the other hand, the global

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<sup>7</sup> - Przeworski, Adam – Capitalism and Social Democracy, Cia. das Letras, SP, 1989.

struggle of peoples against imperialism, in which Latin America participated victoriously through the Cuban Revolution, does not depend exclusively on what the peoples of this continent do or want, but also of the influence exerted upon them through equally important achievements as the liberation war of the Vietnamese people, the Chinese cultural revolution, and the exacerbation of the class struggles inside the United States".<sup>(8)</sup>

However, before we establish the relevance of the Latin American revolution and its importance, if victorious, as "a fatal blow against imperialism" (Id p.126), we must take into account the changes caused by the crisis and collapse of "socialism in one only country", the Soviet Union, and its repercussions worldwide, but especially in Latin America, aggravated by the fact that large multinationals, notably the North American ones, took initiatives in the attempt to rearrange the market throughout its length and complexity, in order to maximize their profits, using for this purpose a strong blackmail scheme against governments and trade unions, waving with the shut down of companies here and threatening to move and reopen them there, if they do not get the resources they claimed.

The fact that we can evaluate that such changes -- represented by the "fall of the Berlin Wall" -- have left the prospects for a future Latin American revolution, as addressed in the above R. M. Marini's excerpt, takes us back to what Leon Trotsky foretold and predicted if the defeat of the USSR as a "Workers' State" was allowed":

"[...] First: the defeat of the USSR would provide the imperialism with new and gigantic resources that would prolong for many years the mortal agony of the capitalist society", as he mentioned in his paper "In Defense of Marxism", with which he fought against the distortion of Marxism, as carried out by Josef Stalin in the USSR. <sup>(9)</sup>

From now on, we can address the problems concerning the Brazilian military dictatorship crisis, since the beginning of the 1980's, with the spreading of labor protests, through massive strikes in the ABC region around São Paulo and other industrial regions, which not only led to, but also supported the creation of the Workers' Party and the founding of CUT, in August 1983.

The founding of CUT and subsequently, of other labor congresses in Brazil, was important to improve the political atmosphere, as well as the democratization process derived from the end of the military dictatorship, but were not enough to support the weight imposed upon Brazilian workers -- inserted in Latin America and, therefore, in the periphery, already super-exploited by the imperialist capital, -- and represented by the arrival of "enormous resources" as mentioned by Trotsky in the above quote, concerning millions of employees with excellent skills training from Eastern European countries. This workforce became available to the imperialism, in addition to the surrender of assets accumulated by the socialist revolution in these countries. Immediately thereafter, this improvement in trade union organizations in Brazil was also not enough to support the redefinition and reallocation of the production factors, by monopolistic multinational corporations seeking the expansion of markets, when they made the greatest agreement of the 20<sup>th</sup> century, held between the imperialism and the

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<sup>8</sup> - Marini, R. Mauro, Underdevelopment and Revolution, in Latin American history, ideas and revolution, Paulo Barsotti e Luis B. Pericás, org. 2ª.ed., Ed. Xamã, 1999.pg 125

<sup>9</sup> - Trotsky, Leon – In defense of Marxism. Juan Pablos Ed. México, 1972, pg 158.

Chinese bureaucracy which, in exchange for maintaining their political power, allowed multinationals to enter the Chinese territory, using not only cheap labor, but also the subsidies provided by the Chinese State to them.

In this context, we examined the resolutions of the last CUT national congress, particularly from the 5th to the 9th Concut, so we could observe that, up to the 8th congress, the CUT had not yet discussed and approved resolutions with guidance for a union strategy that could handle the organization of multinational corporations networks, the true international propellers and actors of the globalization process and trade liberalization. Guidelines that would firstly prevent the division of union representations within the multinationals and, secondly, that could point out to trade unionists and the workers they represented the possibility of an organization that could simultaneously strengthen and unite them, as well as indicate the perspective of unions with stronger negotiating capabilities vis-à-vis the powerful multinationals.

Thus, we intend to study the origins, initiatives, contributions, and incentives that led the CUT, in its 9<sup>th</sup> Congress, in August 2006, to decide positively for this initiative.

When analyzing documents concerning the creation of the networks, we found out that they began here, in Brazil, by initiative of the most important and active unions and, undoubtedly, with the determinant influence of unions and committees from the original countries of the multinationals, and of course, also the International Federations.

## **CHAPTER II**

This chapter aims at *examining the effectiveness and reach of the Trade Union Networks in Multinationals in Brazil and their international connections*, focusing on the CUT's experience and initiative, through the project "Actions to face the multinationals –CUT/FNV"<sup>(10)</sup>, *as an effective organizational response of the unions in face of the economic globalization and the expansion of multinational corporations*.

It will also analyze its interface with the international trade union organizations and the results obtained in terms of benefits to the employees of multinational subsidiaries established in Brazil.

We intend to examine what are the difficulties (or not) faced by the unions – affiliated to CUT -- involved in the project "Actions to face the multinationals CUT-FNV", in order to achieve the goals of the Trade Union Networks organization, such as the problems related to the Networks' maintenance and, simultaneously, the difficulties (or not) in obtaining agreements between networks and companies and, finally, the level of solidarity among the Brazilian networks and the Trade Unions from the country of origin of the multinational corporation headquarters involved in the unions' network.

For this purpose, we will take into account the issue previously addressed concerning the "new types of jobs in multinationals" for workers who as a majority, besides being poor and precarious, are victimized by the multinationals' strategies to reduce their value and their fringe benefits. In our analysis, based on experience and coexistence with the current union networks, those are jobs that, unlike the old ones, do not motivate

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<sup>10</sup> - Strategy established in an international solidarity project between the CUT and FNV (Netherlands) started in October 2002.

the workers with any loyalty feelings towards the company, since it does not guarantee their future. Therefore, in our study we question whether it would be appropriate for the unions also to take that into account in the workers' organization and in their struggles for better living conditions and better wages, thus creating Trade Union Networks in Multinationals Corporations.

### **II.1 The operations' arena**

The large number of foreign corporations established in Brazil, -- which has been expanding since the days of the opening of our ports by D. João VI, and was consolidated as a profitable area of investment during the Economic Commission for Latin America (ECLA) period, of imports substitution, -- grew again during the Fernando Collor's administration, from 1990 to 1992, with the opening to foreign trade, which forced an unequal competition between Brazilian companies and similar foreign companies. In this last period we had the largest amount of Brazilian companies acquired by foreign corporations, thereby expanding the number of multinationals installed in the Brazilian territory.

For the UNCTAD there are 77.715 multinational corporations in the world, with 773.019 subsidiaries scattered across countries. Some 39.018 of these multinationals have their legal headquarters in the European Union. The country with the greatest number of registered multinationals is Denmark, with 9.356. Germany has the headquarters of 5.851 of the multinationals mentioned in the UNCTAD report (<sup>11</sup>).

In terms of a conceptual doubt about what is considered to be a multinational corporation, the same UNCTAD believes a multinational enterprise to be that which has the headquarters in one country and one or more subsidiaries in other countries.

The amount of existing multinationals in the world, besides being a fluid data, due to the movement of capitals changing hands, acquisitions, and the incorporation of assets, though they have not been adequately mapped, despite the compliance with the UNCTAD's conceptualization.

According to the census from the Central Bank of Brazil (2000), at the time, there were 11,404 foreign capital companies registered in Brazil. That number ranged from a small representation office to a giant named Volkswagen.

The German industrial capital was the most significant at that moment, with 1.156 registered companies. São Paulo was called the "second Germany" because of the large number of German enterprises established in the capital and its surroundings. The sectors where their presence was most significant were transport units and auto parts (Volkswagen, Daimler, Krupp, etc.) and Chemical Industries (BASF, Bayer, Hoechst, etc.).

Second in the industrial branch, was the North-American capital, despite the fact that it represented a broad majority regarding the value-added, and the foreign capital stock invested here.

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<sup>11</sup> - World Economic Report – Unctad – 17/10/2006

## II. 2 The union struggles at the end of the 20<sup>th</sup> century in Brazil

A large concentration of capital, mainly German and from other European countries, was implemented since the beginning of the sixties in the region around the capital city of São Paulo, known as the ABC, formed by the cities of Santo André, São Bernardo do Campo, and São Caetano do Sul, with few automation technologies and more intensive use of labor. They were mostly from the metal-mechanical and automobile trades. At the end of the 60's and beginning of the 70's, an important petrochemical pole began to be established in the region, composed of private and state capitals, laying the foundations for the gradual establishment of hundreds of companies, from the chemical and plastics industries, many of which were at the service of the existing automobile industries there.

In 1975, the ABC region, including all the industrial branches, had more than 400.000 workers in their plants. The Volkswagen automobile plant had around 42.000 employees in their payroll in 1978, of which 36.000 in the São Bernardo plant alone.<sup>(12)</sup>

The establishment of these industries had started during President Juscelino's administration and lasted throughout the military dictatorship period.

The workers unions were created in the 1930's in the ABC region, by the strong influence of anarchist and communist immigrants from Europe, mostly from Italy and Spain. The major trade unions were the metalworkers from Santo André, which in the beginning also included the chemical sector and the city of São Bernardo. In the 40's decade a split occurred, the chemical workers and metalworkers from São Bernardo. There was also strong representation of the furniture workers union from São Bernardo, Santo André and São Caetano do Sul, which also included the civil construction sector. Subsequently, textile workers unions were founded in Santo André, initially representing the industrial workers from this sector in the three cities.

The highest rates of union affiliation at the beginning of the 60's were still in the furniture workers union of São Bernardo (85% of the workers) and in other trades they hardly reached 20%.

During the military dictatorship, most notably in the period from 1967 to 1980, the trade union activity in the region was severely repressed. Trade unionists were arrested or disappeared, as well as activists working underground.

Trade union activities were reduced a mere compliance with the CLT (Consolidation of Labor Laws), in issues concerning trade union activities and collective bargaining. This meant acting very closely to the local Labor Office and Labor Justice Court at different instances of those institutions. The collective agreements and collective bargaining for the annual wage increase, between employees and employers, were decided either in the employers' facilities or in the Labor Office or, in case there was no agreement, there would be arbitration by the Labor Justice Court. Strikes were prohibited and severely punished.

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<sup>12</sup> Cf. Dieese Monthly Newsletter, June, 1978.

Different leftist political movements had militants amidst the working class and trade unions of the region, working underground, often in opposition to “yellow” union leaders. That was the political stand of movements like MEP (Movement for Workers Emancipation), Ala Vermelha (Communist dissidence), PCBR (Revolutionary Communist Party, another dissidence), O Batente (Trotskyite), among others. The PCB (Brazilian Communist Party, Stalinist), the Workers Pastorate and JOC (Catholic oriented) and later the PCdoB (Communist Party of Brazil, dissidence of the PCB) which ended up adopting a policy to approach and dialogue with the union leaders who ran the unions at that time (1967 to 1980), which included an "agreement" with Paulo Vidal, president of the São Bernardo metalworkers union, where the PCB indicated some representatives to his slate (and at the same time kept some militants doing trade union opposition, especially at Volkswagen, with Lucio Belantani). Concurrently, in 1969, in the elections of the Sao Bernardo trade union, the opposition lost the elections in one only of the largest companies, but it was enough to give Paulo Vidal the victory in Volkswagen.

However, it was during the Geisel government period that the first riots and protests began to happen, demanding better wages in the ABC region and, for this purpose, the research activities were very important, with the dissemination of data on inflation and the necessary wage leveling in the period, especially in the famous episode staged by the Finance Minister, Delfim Neto, who manipulated the official indexes, giving ammunition to union leaders.

The union struggles that led to a reorganization of the forces that represented the workers in the region, were based on fights for wage increases and also fights against the repression and the dictatorship.

In May 1978, MEP activists, from the Mercedes Benz plant, organized a mobilization and protest for May 1<sup>st</sup>, and for this reason were simply dismissed. However, in June, the outbreak of a strike in the Scania plant, known as the kick off, started the cycle of strikes and demonstrations that forced the union leaders to either take control of the movement or run the risk of being swept away from the trade unions. They took on the movement very strongly, initiating the so-called "authentic unionism" conducted by Luis Inácio da Silva, Lula, the president of the São Bernardo Metalworkers Union.

This movement led the activist and militant base in all the sectors of activity in the region to start out opposition movements in the trade unions, aimed at withdrawing the remaining “yellow” unionists from the scene in many unions.

They were successful at the beginning of the 80's, in the Santo André Chemical Workers Union and later in the Bank and Commerce Workers Unions. The rest of the trade unions adopted a combative stance and began to fight together with the metalworkers of São Bernardo. Several unions remained aside in the region, such as the unions of São Caetano Metalworkers, Santo André Textile Workers, and Hotel Workers, among others.

However, the most representative were the participants of the new "authentic" unionism.

### II. 3 International contacts between trade unions in this period

During the military dictatorship period (1964-1988<sup>13</sup>), the trade unions established international contacts through different political currents that had activists in the labor movement and all of those contacts were underground or semi-clandestine.

The open and non-official contacts (the official ones, according to the CLT, demanded a special permission by the President of the Republic) began during and after an outbreak of massive strikes in the ABC and São Paulo regions, in 1978.

There were hardly any contacts with the North-Americans from the AFL-CIO (the North-American Labor Congress) in that period (1978-1988), due to the strong commitment of the North American trade unionism with the IADESIL, previously to the military regime and with a strong anticommunist component.

During the military dictatorship period, a large number of trade unionists and activists were in exile in European countries, but keeping permanent contacts with Brazil. Many of them, as José Ibraim and Roque da Silva, metalworkers from Osasco, lived, studied, and worked in European countries and served as liaison for parties, trade unions, and churches in Europe, keeping these organizations continuously informed on what was happening in Brazil. This enabled, since the beginning of the large mobilizations in the 1970/1980 decades, the Brazilian unionists, notably those from the ABC, as the São Bernardo Metalworkers Union, Santo André Chemical Workers, to send solidarity requests to their European fellow unionists and to welcome solidarity visits from leftist political activists, priests, and pastors of churches mainly from Germany and Belgium.

Around 1980/1984 we had -- in the ABC, especially in São Bernardo and Santo André - - contacts with Catholic Franciscan priests based in Frankfurt, Germany, and linked to the popular movements. They served as liaison with rank-and-file unionists in German companies, who stood by and contributed to their Brazilian colleagues, disseminating the struggles of the Brazilian workers throughout their workplaces and communities in Germany. The Franciscans were connected to the Catholic sectors in Germany which carried out actions for immigrants and homeless people and also supported, here in Brazil, the newborn Landless Workers Movement (MST).

Then, in 1987, they brought to Brazil a large group of activists linked to sectors of the church as well as to the German leftist political parties as the DKP (German Communist Party), a small party organization co-sister of the Communist Party from the Eastern German State. This group visited unions and made contact with CUT workers and union leaders in several subsidiaries of German companies, such as Volkswagen, Mercedes Benz, BASF Glasurit, and Bayer, which provided the continuity of such contacts in the future.

Please note: at that time, we were already in dictatorship period known as "distension".

We also had actions by the evangelical community from some German cities, notably Muenster, Hannover and Frankfurt, which were connected to a group of pastors who

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<sup>13</sup> We decided to use as the final date of the military dictatorship the year of 1988, year of the Constitution, since until that year the existing labor laws allowed the State to intervene in the unions.

held theological studies at the São Bernardo Methodist College. This group played an important role in supporting the trade union opposition and later in the Glasurit workers struggle in São Bernardo do Campo to form a Workers' Council in the plant. This group even organized protest activities at the headquarters of the corporation in Germany (located in Muenster), passing petitions around in support of the Brazilian fight and collecting thousands of signatures, later delivered to the board of the company both in Brazil and in Germany simultaneously.

Those contacts enabled Brazilian unionists to acknowledge a socio-political and labor reality extremely different from the Brazilian. On the other hand, it also motivated the German trade unions to mobilize, since these support groups were generally connected to German union sectors that did not agree with the social-democratic policy line of the German leaders. We should also consider the invitations by these foreign delegations to their colleagues in Brazil, which actually happened as visits to the headquarters of the companies some years later.

A number of cases demonstrate the continuity of such contacts and actions between the Brazilian unions, specifically the ones from the ABC, and trade unions from other countries. However, for this monograph, we will consider the cases of the Mercedes Benz Workers' Council and the BASF Inter-Unions Network, with which we will work below.

## **II. 4 The EEC - European Economic Community and its importance for the international trade union issues**

The contacts of Brazilian trade unionists with their European colleagues, mainly with the Germans, Swedes, French and Italian, led them to a cultural shock, especially exposing the existence of a social-democracy, in force for about 50 years, and its social advancements: trade unions organized and enrooted in the workplace; their "consultation and collaboration agreements", which were more advanced in Germany, but were also important in other European countries.

Getting to know the information provided by those contacts, -- showing that besides higher wages, a set of benefits and permanent bargaining systems between employers and employees were mediated by internal workers' councils -- was extremely important in comparative terms for the Brazilian unionists.

The exchanges of information and visits in both directions were very intense until the "fall of the Berlin Wall" in 1989.

### **II. 4.1 Internalizing European experiments**

The European trade unions were caught by surprise with the collapse of the socialist regimes in the East.

In May 1989, during a visit of unionized chemical workers from Glasurit of Brazil to their fellow workers in Germany, in response to a question about what to think of a reunified Germany, they heard the skeptical answer that this would be impossible, due

to the high degree of historical and cultural crystallization occurred over the past 40 years! <sup>(14)</sup>.

During the eighties and beginning of the nineties we had many consolidated experiences, and others that failed, in terms of incorporating other benefits and forms of labor action based on that knowledge of the European reality.

We will study two examples of what we call internalization, in other words, bringing to the Brazilian operations arena and more specifically to the ABC metropolitan region, the creation of the Workers' Council and its immediate integration to the World Workers' Committee in Daimler, the global manufacturer of Mercedes Benz cars and trucks, and another experience with the Workers' Councils in the BASF group, the German manufacturer of defensives, paints and a range of other chemical products.

The establishment of the Workers' Council in the Mercedes Benz plant (currently Daimler) in São Bernardo took place in 1984, after two general strikes supported by IGMetall (Metalworkers Union - Germany). In addition to being one of the pioneers in Brazil, it was later included in the worldwide Daimler network, and one of its members was appointed to compose the board of directors of the World Workers' Council of Daimler. This activity was extremely important for the signing of an international framework agreement, in 2002, between the company and the unions organized worldwide in networks and supported by workers' councils or committees. This agreement covers several items related to ILO standards and is extended to suppliers and customers of the assembly plants (unions' pre-requisite for the signing of the agreement), to prevent conventions or norms from being circumvented through the use of outsourced labor.

As far as the BASF Network is concerned, it was also originated from the victory obtained by the Workers' Council in the BASF Glasurit and Polystyrene unit, in São Bernardo, during the 1990's.

The international contacts of the Santo André Chemical Workers Union, which was seeking support for the BASF Workers' Council and their struggles, coincided with a lockout determined by the Board of BASF in the Geismar unit, Louisiana, USA, in the year of 1989, breaking up negotiations with the local union.

This fact, occurred in the United States with a German multinational, led the North-Americans to seek solidarity in different places including Brazil, which received the visit of one of the local leaders, Richard Leonard. The Santo André Chemical Workers Union together with the BASF Workers' Council held a meeting with the employees of the São Bernardo's Glasurit unit, in solidarity with the North-American fellow workers, victims of the company's intolerance to continue negotiations in Geismar.

Struggles in Geismar and São Bernardo led the German union to take a stronger stance supporting and offering international solidarity with Brazil and the USA, and, following that, they held several meetings in Germany and in Brazil.

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<sup>14</sup> Interview reported by one of the visitors, José Drummond, the union leader of the ABC chemical workers union.

In 1994, after pressure by Brazilian unions, which started to get organized and act together with the support of the IGChemie (Chemical Workers Union of Germany) and the ICEF (Chemical and Energy International Federation), the Board of BASF in Brazil accepted to initiate a dialogue with the network representatives, with the purpose of discussing collective demands at the national level.

In 2002, the Board of BASF accepted and recognized the South American Trade Union Network of BASF, which was originally formed by the Brazilian, Argentinean and Chilean networks. Currently, in 2007, the trade unions from Peru and Colombia have been included, and the Board of BASF has accepted the creation of Workers' Councils, elected by the workers in the plants, and granted job stability to the council members, in all Brazilian and South American units, in compliance with the network's demands.

Currently, the South American network along with the ICEM (the former ICEF) and the IGBCE (current German union resulting from the merger of the chemical, mining and energy workers) are developing efforts and negotiations aimed at the establishment of a World Network and at the signing of an International Framework Agreement with the Board of Directors of BASF.

## **II. 5 What would lead the unions to become willing to organize into networks within the multinational corporations?**

Initially, several answers can be given to these questions, through many other questions: Would it be the influence of International Trade Union Federations? Of European Workers Committees?

Would it be a "natural" way, forced by the organization of corporations in networks (customers networks, suppliers networks, producers networks, technological cooperation networks and other coalitions), and, as we saw in Castells (2006), the organization in networks is one of the most effective and efficient mechanisms created by human beings, besides being applied in almost all of their activities.

Would it be the influence of Marxist origins (the internalization of the labor movement - "Workers of the world, unite!")?

Or, as David Harvey discusses in his book "The Condition of Post modernity" on pages 135 to 168: as a reaction to the flexible accumulation worldwide instituted by the global capitalism?

Would this whole set of assumptions justify the trade unions decision? Or are there other reasons?

We will try to organize the possible answers in the following paragraphs through a theoretical approach.

At first sight we could respond positively to these assumptions, since in all of the analyzed theories we found justifications that tend to fundament the answer or answers to our hypothesis.

The apparent complexity of the globalizing process, which is the framework where our

study is historically inserted, is explained by Marx in a simple way, in the first chapter of the Communist Manifesto<sup>(15)</sup>:

“[...] The bourgeoisie can not exist without constantly revolutionizing the means of production, thereat the production relations, and, therefore all social relations... The continuous change in production, the endless shaking of the whole social system, the permanent insecurity and movement distinguish the bourgeois age from all others... All that was solid fades in the air, all that was sacred is profaned, and people are finally forced to face with serenity their social status and their reciprocal relations... The need for ever-growing markets for their products propels the bourgeoisie to conquer the whole world. It needs to establish itself, explore and create links everywhere”.

Marx also worked on this concept in his "1863 Economic Manuscripts"<sup>(16)</sup> when he includes science, the form of work organization, machinery, natural forces, as representing ways of capital development, and consequently the productive forces of labor developed from these forms of social work.

But Lenin, in his book "Imperialism, a higher stage of Capitalism"<sup>(17)</sup>, defines imperialism as including five fundamental characteristics: 1 - The concentration of production and capital was developed towards the creation of monopolies, which play a decisive role in the economic life; 2 - The merger of the banking capital with the industrial capital, and, on the basis of that "financial" capital, the creation of a financial oligarchy; 3 - The export of capitals, which unlike the export of goods, acquires exceptional importance; 4 - The formation of international capitalist monopolistic associations that divided the world among themselves, and 5 – The culmination of the territorial division of the world among the major capitalist powers. Imperialism is the stage of capitalism in which the supremacy of the monopolies and of the financial capital is established; in which the export of capital acquires a fundamental importance; in which the partition of the world is initiated among the international trusts; in which the distribution of all the territories in the planet culminates amongst the greatest capitalist powers. Lenin defines imperialism in its overall political aspect as a tendency to violence and to reaction.

To these approaches by Marx and Lenin on the current stage of capitalism and its fundamental characteristics, we can add the analysis exposed by David Harvey in his book "The Condition of Post modernity".<sup>(18)</sup>

His detailed analysis of fordist/taylorist modernism, of a relatively stable and standardized production, and the emergence of flexible working conditions, introduced in a contradictory and dialectical way, which never forgets to take into account the theoretical analysis by Marx and the practical-theoretical explanation by Lenin.

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<sup>15</sup> Marx, Karl – Communist Manifesto 150 years later. Fundação Perseu Abramo, 1998, pg. 9

<sup>16</sup> Marx, Karl – Economy Manuscripts, in Value-Added Theories, vol 1. S. Paulo, Bertrand Brazil, 1987, pg. 384.

<sup>17</sup> Lenin, V.I, Imperialism the higher stage of capitalism, Editorial Anteneo, Buenos Aires, 1972, pg.108/109.

<sup>18</sup> Harvey, David, The Condition of Post modernity, Loyola Editions, 2006, part II.

The existence of the European Committees in Companies and their agreements based on the so-called "European Social Dialogue", derived from the European Parliament directives, might give us a clue that the actions by trade unions performed in networks enable them to unite their action, improving their bargaining conditions as well as their ability to put pressure, in the search for international agreements that will allow more equalitarian working conditions, providing a more effective mechanism to protect the interest of workers organized in trade unions.

But, would these be the immediate justifications? Or could we find behind it the "Gramscian" concept of the ruling classes' hegemony that would lead to the so-called "consent of the exploited"? Or rather, "active consent of the exploited".

If we observe the influence of European trade unions on this issue, we cannot fail to perceive the influence of trade union leaders, who are a majority of social-democrats, in adhering to this concept of active consent mentioned by Adam Przeworski (<sup>19</sup>), when analyzing, among others, the concepts of Marx and Gramsci and seeking explanations for the material basis of consent. A type of consent that would be necessary in order to push forward agreements between two social classes in struggle.

How to get medium- and long-term agreements between employers and employees if wages and profits remain in inverse ratio between them?

Agreements that enable the capitalist relations to be perpetuated under democratic conditions only if they are made via the consent of the exploited. (DÚVIDA)

The creation of Trade Union Networks within multinationals was started in the 90's, driven by some International Trade Unions Federations, initially as a way to broaden the solidarity towards a specific union undergoing difficulties, due to a strong reaction from the multinational company in the work site.

The international solidarity concerning a strike (for ex. Firestone in the US, in 1993 or BASF, in 1989, also in the United States) resulted, on the one hand, in some International Trade Union Federations taking a stand in boosting the creation of International Labor Solidarity Networks and, on the other hand, in searching for the same "Global Unions" (International Trade Union Federations by trade), and for International Framework Agreements with the multinational corporations for worldwide application in their respective subsidiaries.

The building of Trade Union Networks has been one of the strategic goals of the most representative "Global Unions", engaged with their affiliated unions, in countries where there are subsidiaries of the multinational corporations, so that the "International Framework Agreements" may be effective and more safely monitored.

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<sup>19</sup> - Przeworski, Adam, Capitalism and Social-democracy, p.163, Cia. da Letras, SP, 1989.

## CHAPTER III

### III. 1 What will be the future like for Trade Union Networks in Multinationals?

In this chapter we wish to examine the experience of a Labor Congress in Brazil, the CUT, which adopted this strategy in their 9<sup>th</sup> National Congress, held in São Paulo, on June 5-9, 2006, and, since then, has been implementing the networks with their affiliated unions from different trades, with the logistics support from the Dutch Trade Unions Federation - FNV. The list of multinationals involved in the current CUT strategy reaches 89 corporations from 19 countries, including the Brazilian multinationals.

As we read the documents concerning negotiations between the networks and their respective corporations<sup>(20)</sup>, we found that, after forming the network and electing their board or national coordination, they carry out the following activities in sequence:

1° – Hold a national meeting with all or most of the unions that joined the network of that multinational in order to make a survey on the situation of labor relations and problems in each plant.

2° – Organize a national meeting to plan the actions aimed at the goals set up, usually a nationally unified list of demands to be negotiated, composed of a few items.

3° – Participate in actions to disseminate the list of demands, by distributing newspapers and bulletins to the rank-and-file, informing workers about the actions that should be taken.

4° – Notify the companies, requesting a meeting calendar for discussion and resolution of the list of demands presented.

5° – Hold the meeting or bargaining between the company and a committee representing the network. Here there may also be an inflection, depending on the company's response to accept or not to accept to meet and negotiate with the network and, if the company refuses to hold a meeting or negotiation, the network convenes an evaluation meeting to decide the next steps to put pressure on the company to accept the dialogue with the network representatives.

Analyzing the steps.

The convenience of organizing in networks in order to negotiate *an international framework agreement or code of conduct*, as an initial milestone of negotiations, leveling the working conditions and allowing trade unions -- now organized in international networks and more legitimated by their membership -- to expand the range of benefits and achievements from a new international integration threshold, allowing them to better resist the companies' attempts to use the comparative and competitive advantages based on low wages, reduction of benefits and the absence of trade union actions in international networks, which could cause them some damage.

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<sup>20</sup> - Cf., the 7<sup>th</sup> final report of the CUT FNV project activities and also the report of the 4<sup>th</sup> National Union Networks Forum.

When it comes to negotiating a *code of conduct* or a *framework agreement*, trade unionists involved in that strategy are aware of what they should seek. Firstly, the recognition of their trade union network by the board of the company. For this purpose they use the ILO international standards and also Chapter IV of the OECD Guidelines for Multinationals, when they present the demand to the company, aiming at anticipating the company's reaction of refusal to accept the negotiations with the network, here in Brazil, considering that the same standards and rules are respected in their country of origin and, consequently, should also apply to Brazil.

The tactics used aim at committing the company with the adherence to a code of conduct or framework agreement that contain, at least, the ILO (International Labor Organization) conventions and recommendations, included in the "Tripartite Declaration of Principles on Multinational Enterprises and Social Policy" adopted in 1977, and revised in 2000 <sup>(21)</sup>, that refers mainly to the trade union freedom and autonomy (Convention 87), principles on the right to unionization and collective bargaining (Convention 98), against discrimination (Convention 111), on the worst forms of child labor (182), on forced labor (Convention 29), on the workers representation at the workplace (Convention 135), among others. Some have not yet been ratified by Brazil, as the one on trade union freedom (Convention 87) and others were ratified, but without the practical conditions of applicability due to legal conflicts and juridical interpretation, as in the case of Convention 135 which guarantees protection to union representatives at the workplace.

Another international legal fundament used was the "OECD Guidelines for Multinationals"<sup>(22)</sup>, also adopted in 1977, by the member-countries of that organization, and for one explicit reason, among others: to avoid interference in internal political affairs of a country by multinational corporations, such as the harmful action of the ITT – a North-American multinational that collaborated for the overthrow of President Salvador Allende, in the 1970's, in Chile -- which is mentioned in the preamble.

The adoption of those two international standards by networks, as fundamental goals, seeks, according to the reports examined, first of all to show to the board of the company and its employees that the company at stake adopts these standards in its country of origin, as demonstrated by habits and by the social dialogue with trade unions, and, secondly, to demonstrate to the very company that, as a multinational, and therefore coexisting with different cultures, habits and local laws, they have to also respect the international standards.

However, by submitting this demand, that the company should demonstrate willingness to adopt an international standard, the unions also aim at providing the pathway to open a dialogue with the local board, which, at the same time, is connected to the guidance from the headquarters.

According to union leadership, that puts the company in an uncomfortable situation vis-à-vis their public, in case of refusal to give an opinion and adopt an international standard broadly used by many corporations and encouraged by their governments in the headquarters' countries.

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<sup>21</sup> Available on [www.ilo.org/multi/](http://www.ilo.org/multi/)

<sup>22</sup> Available on [www.fazenda.gov.br/multi](http://www.fazenda.gov.br/multi)

When the company is notified, by the unions participating in the network, and refuses to engage in a dialogue, the network decides to file a complaint either to the ILO or to the OECD's Point of Contact. In Brazil, there are local offices of both, the ILO and the OECD, in Brasilia.

The leaders preference is for the adoption, as a demand, of the OECD standards, for the fact that if the company refuses to accept the dialogue about itself, the complaint filed at the OECD's Contact Point in Brasilia will be processed faster and with less bureaucracy, unlike the complaints filed with the ILO, which may take several years to make a decision.

As for training for the leadership, especially the coordinators of union networks, specific seminars are carried out, with the aim of conveying knowledge on how such standards should be used. In this sense, the networks rely on the support of both the CUT's education secretariats and National Confederations, but also the IOS - Social Observatory Institute, a research institution dedicated to study the actions of national and multinational companies regarding the compliance with national and international labor standards and environmental issues. Manuals are also used, published through an agreement between the IOS and TUAC (Trade Union Advisory Committee), which is a permanent advisory body composed of trade unions from the OECD member-countries within the Investment and Multinational Committee of the OECD, based in Paris.

When the Brazilian union networks take the decision to file a complaint against a certain multinational corporation, according to the manual, firstly they should check which provisions or clauses of the standards were not observed or complied with by the company. Following the decision-making process over the complaint, they forward it to the TUAC, in the search for advice and international support for the complaint. This allows an amplification of the complaint for the following reason: when the TUAC receives information that a particular company will be reported to the OECD in Brazil, it notifies the OECD's Contact Point, in the country of origin of the multinational and also the local trade unions, so that they learn about the complaint and give support to their colleagues in Brazil.

As we saw in chapter I, the number of multinationals established in Brazil exceed the figure of 11.000, according to the data from Central Bank, and they come from dozens of countries of origin, which vast majority, or even all of them, are OECD members. If a multinational corporation is not originally from an OECD member-country, the standards and rules allow the filing of the complaint to occur in a country where there is an OECD Contact Point.

Among the prioritized multinationals, there are many "new" Brazilian multinationals, such as Gerdau, Santista, Companhia Vale do Rio Doce, Banco Itaú, Petrobras, etc. that have been resisting to open up a dialogue with trade union networks.

As to the effective results of the complaints taken to the OECD's Contact Point, if it is proven that the company did not comply or observe their standards, it will receive a warning from the Contact Point, with the recommendation that the damage be compensated by agreement between the parties, and that the company starts to comply with such standards there from.

One example of this is available on the OECD's Contact Point website in Brasilia, as indicated at the bottom of this page, and concerns a complaint filed by the Parmalat unions network, against a process of collective dismissal without observing the rules, which, in this case states that the company should, even before making a decision, consult the representatives and their union and try an agreement that, at least, mitigates the damage, in case it is impossible to avoid the layoffs. The company did not even inform the local union, a member of the network. Consequently, the complaint was accepted and the company was reproached by the Contact Point.

The report on the Parmalat example led this company, as well as other companies, which unions were organized in networks, to seek a better understanding of the standards, taking them into account, so that they wouldn't receive a complaint and have their brand name publicly denounced and damaged both locally and internationally.

It would be important to mention, as an example, the cases of BASF (German multinational) and Rhodia (French multinational), which underwent the complaint process, led by union networks, throughout the steps listed above.

The BASF unions' network decided, in August 2005, -- after the company's refusal to meet with the unions to discuss the closing of a paint production unit in Rio de Janeiro, -- to take the case to the Contact Point, in Brasilia.

Immediately after, they forwarded the complaint to the TUAC in Paris, which, coincidentally, had one of its members traveling to a conference in Malaysia on "Corporate Social Responsibility". At arrival, knowing about the complaint, this member met one of the world directors of BASF who had just made a presentation to the public on the "excellent conduct standards adopted by BASF", and decided to charge him for not knowing what had occurred in Brazil with one of its subsidiaries, which was exactly being denounced for not taking into account the OECD standards for multinationals! Surprised, the director immediately asked for the TUAC interference, so that he could talk to the Brazilian unions network and convinced them to suspend the complaint until he could travel to Brazil. That actually occurred a week later. In the meeting with his colleagues in Brazil, he realized the damage on the company's image and called the network to offer them a proposal. It was then evaluated and accepted by the workers, who then decided to withdraw the complaint.

The case of Rhodia was a similar one, leading to the withdrawal of the complaint, after the company -- which had refused to negotiate with the local union, a network member, -- readmitted two union leaders dismissed without a cause, in Santo André, state of Sao Paulo. Also in that case, after the complaint was filed, the union published the fact in newspapers, which forced the company to meet and negotiate a proposal with the union, which was accepted. According to the union, this proposal was offered to them only after the board of the company demanded guaranties that at least the complaint to the Contact Point would be removed.

Those few examples instilled enthusiasm in the other networks, to file the complaint in the Contact Point, which, at this very moment, when we write this monograph, had received fifteen complaints against foreign and Brazilians multinationals.

But, while reviewing the latest data regarding the actions carried out and the results obtained by 27 unions' networks involved in the strategic project between the CUT and the FNV, which began in 2001 and ended in 2006, we observed that it is a trend that may be consolidated. That's because, in the new phase of the strategy to create networks, that shall involve around 102 multinational corporations, the use of international standards has become a priority goal, concerning its implementation by the multinationals. This led the networks, in their last National Forum held in October 2007, to keep among its goals, the filing of complaints to international institutions, as a crucial tool in the hands of the networks in order to improve the conditions for dialogue and negotiations with the multinationals.

### **III. 2 The struggle continues ... And it won't be easy.**

As mentioned in the introduction of this monograph, we will not study the difficulties, effects, and efficacy found by the Unions and International Federations, when they carry out the proposed organization of unions networks in *other countries*. However, for demonstrative purposes, envisaging the future, we can use the situation of the Chinese labor movement, at the beginning of this century, in face of multinationals established there.

While consulting the IMF (International Metalworkers Federation) website, we can infer that it is difficult to make contacts with China. When contact is made with the official union, linked to the CP (Communist Party) and to the government, and we address the issue of organizing international labor networks around the multinationals, "they are very cautious". They are afraid to contradict any government guideline that provides them with incentives. That is why they don't feel free to make contact with networks or International Federations such as the IMF. <sup>(23)</sup>.

However, the participation of Chinese trade unions and federations will be crucial in the future, due to the numbers of foreign companies established there, as we can see in Annex 10.

In the last CUT congress (9<sup>o</sup>), attended by dozens of foreign delegations, a resolution was approved transforming the project "Actions to face the multinationals-CUT/FNV", into a permanent strategy of that Labor Congress, concerning the trade union organization response to globalization.

National Confederations involving nine trades (Metallurgy, chemical, commerce and services, banking and finance, food, furniture and construction, textiles and clothing, energy and sanitation, surveillance and security) jointly presented to CUT a list of 104 priority multinational corporations where unions' networks should be organized, in Brazil.

As of 2007, the Confederations began to strengthen its internal organizational structure, in order to meet the needs of this strategy, with the hiring of personnel to be trained by CUT, with knowledge of foreign languages, especially English and Spanish, aiming at improving the contacts with the international professional federations to which they are

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<sup>23</sup> - [www.imfmetal.org](http://www.imfmetal.org) e [www.sindlab.org](http://www.sindlab.org) em 10 de Setembro de 2007.

affiliated. Also to make contact with foreign trade unions, at the local level of the prioritized multinationals.

On the other hand, the CUT has included on its agenda, some discussions, with similar organizations from abroad, around the proposed strategy of organizing trade unions in networks, in order to seek support and solidarity. The North-Americans AFL-CIO and Change to Win have become available to support the initiative, and they have already started the first one, holding meetings with the Vale do Rio Doce unions network (second largest mining company in the world, with subsidiaries in seven countries) and Gerdau (Brazilian capital-based steel industry, with eleven subsidiaries in the United States and Canada, among others). The latter already in the process of consolidating an international network, after the meeting of October 2007, in Sao Paulo, and the former with an international meeting scheduled for March 2008.

Also, together with some American NGOs, the new North- American labor congress Change to Win has been conducting meetings in order to organize an international trade union network in Wal-Mart.

The BASF unions' network held a meeting in July 2007, in Denver, United States, under the auspices of the AFL-CIO and of the local union, a meeting aimed at expanding and strengthening the network in the U. S..

They are committed to this strategy with the CUT, also with the participation of unions affiliated to Força Sindical (another Brazilian labor congress), the Spanish labor central CCOO and the French CGT, with the unions networks from Santander Bank, Telefonica and Endesa, and the French Saint-Gobain, Renault, Peugeot and Thomson, with a meeting scheduled for December 2007, in Sao Paulo.

The Dutch labor federation FNV has decided to continue supporting the CUT's efforts and approved a new phase of the solidarity project aimed at supporting the construction and strengthening of the unions' networks (104 networks) presented by CUT's confederations, until 2010, with emphasis on the preparation of manuals on the creation, planning, and monitoring of networks, as well as communication.

In December 2007, the same Dutch labor central held a meeting with Latin-American partners, in Lima, Peru, in order to plan with organizations in the subcontinent, their solidarity actions, within their proposals and strategies and the creation of union's networks was one of the fundamental topics in the agenda. Also, in terms of logistical support, the FES-Friedrich Ebert Foundation, linked to the German Social Democratic Party and German unions, decided to support the CUT's project to create unions networks within the German capital companies, as one of their supporting projects to Brazil, which can be considered as an important boost for the International Labor Federations with offices in the region to consider this strategy of creating trade unions networks in their actions. In addition to that, the FES promoted a Latin-American meeting in Montevideo, in September 2007, with the participation of Regional Trade Union Federations and some Labor Congresses, where CUT could expose the strategy<sup>(24)</sup>. These are examples that this initiative tends to continue.

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<sup>24</sup> -Technical Workshop on multinationals, FES, Montevideú, September 5<sup>th</sup> to 7<sup>th</sup> 2007, with the presence of the author of this book.

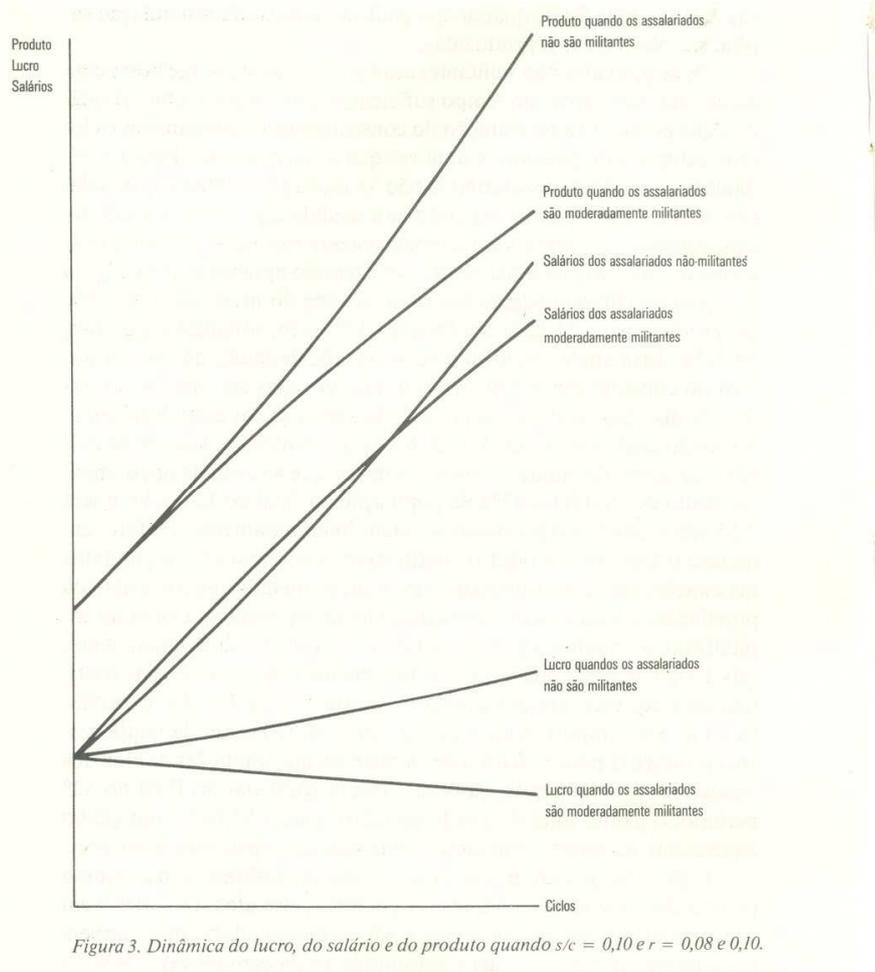
### **III. 3 What does the future reserve for these networks and their actions? An evaluation of the current unions' networks and their theoretical fundamentals.**

Based on the concepts exposed by Przeworski (1989) and addressed in the previous chapter, on the need for "*consent*" by wage workers and for "*acceptance*" by the bourgeoisie, we tend to believe that we are undergoing a certain expansion of this concept, -- originally from European countries with social-democratic experience, -- over the peripheral countries in Latin America and particularly over Brazil. Following that, we will discuss concepts related to the increase in profit rates and value-added, derived from the expansion process of the current markets and the conquest of new markets offered by the end of the Soviet Union and the opening of China and Eastern Europe.

Nevertheless, we consider that, the signing of agreements between workers and employers, that might last for a reasonable time period, would only be possible if based upon the existence of a favorable "atmosphere" concerning the possibility of immediate gains, by the workers and, on the other hand, an acceptance of some kind of loss or decrease in the appropriation of the Value-added, by the employers.

We replicate below part of a graphic prepared by Przeworski (1989), where he seeks to demonstrate the relation between the possibilities of gains for the workers, as long as they accept a long cycle based on what he calls "*consent*", and the degree of mobilization of the workers along time that should also be taken into account. The graphic also conceptualizes the fact that, if the wage workers advance in terms of gains and achievements, to the point of hindering the maintenance of profit rates, only two possibilities would remain: roughly speaking, the withdrawal of the wage workers, or the progress towards the Socialist Revolution as a "*sine qua non*" condition to maintain the living conditions of the wage workers. The author seeks to investigate if the "*consent*" "may be reproduced in a capitalist society in which the accumulation continues"...

We believe it is important to reproduce this issue in our work.



S = savings rate derived from the (gross) profit

C = capital/product (gross) ratio

R = wage workers “activism”, which determines the real wage levels.

Przeworski used OECD data from 1950 to 1960, concerning European countries that belonged to their organization. With this remark, he drafted mathematical equations and models to fundament his theory, providing us with assurance, so that we could adopt the principle of "consent", in order to justify the permanence of this trade union organization strategy. Firstly, the labor organization would seek to establish a dialogue and negotiations based upon the compliance with international standards and conventions everywhere and in all the plants of multinational corporations involved in the networks, that is, it would provide "*immediate gains*" to the workers.

This strategy of organizing trade unions networks within the multinationals, would not, at the beginning, seek immediate wage gains for workers, but would ensure an *international organization of trade unions within the multinationals*, which are key players in the globalization process, and while *negotiating framework agreements*, at

the same time, *would ensure an area of negotiations for international solidarity*, to be used in an adequate moment in the future, and this time, in the pursuit of wage gains.

It will be a long way, as we have demonstrated in the initiatives – though weak – carried out in many countries, such as China, where the labor structure is still very connected to the State.

That means it will require, during this time period, some *consent between the exploited and exploiters*, so that they can reach medium- and long-term agreements.

### **III. 3.1 A brief pause to examine the contents of the International Framework Agreements**

First we must define the common differences between "code of conduct" and a "framework agreement".

CODE OF CONDUCT	INTERNATIONAL FRAMEWORK AGREEMENTS
Unilateral initiatives by the companies	Negotiated between workers and company
Does not necessarily recognize all ILO fundamental standards	Recognize all fundamental ILO standards
Rarely covers the suppliers	Generally cover the suppliers
Supervised by the Board of the company	Trade unions participate in the monitoring and implementation
Fragile base to establish a dialogue including the company, the civil society and the trade unions	Consist of a firm basis for dialogues with trade unions and civil society

Now, we would like to set an example of concern and action by International Federations, a report from the fortnightly newsletter of the IMF, listing the amount of framework agreements established between the Federation (and their unions), and the multinational corporations.

**“The IFAs receive special attention in Brazil**

The CNM/CUT and the CNTM/FS will oversee the conditions of suppliers of multinationals that have signed the International Framework Agreement (IFAs) and ask the top Brazilian multinationals to sign their IFAs.

Between October 1<sup>st</sup> and 2<sup>nd</sup>, the director of labor policies of the IMF, Fernando Lopes, met at the CNM/CUT headquarters, in Sao Paulo, with the representatives of the corporations established in Brazil which have an International Framework Agreement. In the meeting they discussed how these agreements are being implemented by the corporations.

Moreover, the National Confederation of Metalworkers (CNM/CUT) and the National Confederation of Metallurgic Workers (CNTM/FS) have signed a cooperation agreement to work together in monitoring supplier companies (which also fit into the IFAs of multinationals). These corporations, by contract, must comply with all the terms of the International Framework Agreement set by the contracting service company.

Altogether, there are 12 foreign corporations established in the country that have signed an **International Framework Agreement**, where they are committed to respecting human rights and the fundamental conventions established by the ILO (International Labor Organization). Below, some of the measures that should be adopted by the companies, in case they want to be considered as 'socially responsible', as well as their respective suppliers:

- Not to allow child labor (ILO Conv. 138)
- Not to allow slave or forced labor (Conv. 29 and 105)
- Not to allow discrimination on the basis of gender, race, religion, nationality, physical condition, age or sexual orientation (Conv. 111)
- Trade Union Freedom to organize and negotiate (Conv. 87, 98, 135)

The CNM/CUT and the CNTM/FS also agreed at the meeting to jointly address the Brazilian multinational corporations so that they sign the IFA with the IMF...RSA)

(IMF, 10.10.2007)"

#### IV Final considerations

If we ask the following question: from an excellent level of national and international organization, from a significant number (thousands) of multinational corporations organized in international networks, when the time comes, in which the capital could be led to reduce their intended profits and value-added, wouldn't there be a "rupture" of that *consent*, opening a crisis which we have already referred to above, and that would place in the immediate agenda the advancement towards socialism or... (more barbarianism)?

In this case, reaching the extremes, the trade unions organizing in international networks within multinational corporations may well become the guaranty of a tactic organization for class confrontation with the bourgeoisie, carried out by waged workers. Let us recall that multinationals form the front line of the capital and, if properly broken, could provide strategic and also appropriate conditions for the social and political progress, as long as there is a revolutionary leadership who knows how to undertake the task.

We may evaluate the possibility of a situation that, as Przeworski mentions: "in order that the consent is continually reproduced, while the profit is not declining, the capitalist democracy should be organized in such a way that the outcome of conflicts, on the one hand, are not uncertain to the point of turning probable the violation of the basic material interests of wage workers or of the capitalists; but on the other hand, are uncertain enough to incorporate the employees as participants." (Id p. 192, 193)

Nevertheless, we must consider that *"men make history, but under the conditions inherited from the past"*<sup>(25)</sup>, and, today, the organizational conditions are perhaps being established for future use by the workers in their class struggles, to help change the conditions in their favor. The international trade unions networks within the multinationals may be one of those conditions to help them in their historical task, since they were organized from the shop floor of their workplaces, forming a web of solidarity relationships.

With our approach in this document, we tried to justify a doubt, a hypothesis, which seemed singular when we examined the current conjuncture of the Brazilian labor movements and their role in this globalizing process. With their international connections, affiliations to global federations representing the working classes, their "lobbying" actions near the international agencies and, at the same time, the emergence of a movement linked to the rank-and-file in their workplaces, pushing for the creation of International Trade Union Networks in Multinational Corporations, which, if well supported and encouraged, by Organizations from the Summit of the International Labor Movement, may become a major supporting pillar for the legitimacy of their actions, or else they may take a collision route clashing with those same organizations, if they act in different pathways.

In the scope of this work, we were restricted to study, as samples and trends, the experience of creating trade unions networks, coordinated by the CUT in Brazil, and politically and logistically supported by the FNV, from the Netherlands. Experienced as

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<sup>25</sup> Marx, Karl, O 18 of Brumário

a work task by the author of this article, the proposal is to open the debate on the subject.

Therefore, it was this movement that caught our attention, for its organizational possibilities, in the search for a new strategy for the labor and political struggle of the working classes, seeking not only immediate improvements, but national and international solidarity among workers of global corporations. However, when we examined its adequacy to several theories from the social and political sciences, as well as international relations, as developed in the preceding chapters, we could consider the possibility of taking forward this new tactic and strategy, that will allow us to theorize on the social and political possibilities of change, in which the Trade Union Networks in Multinational Corporations -- as long as they are internationally enrooted and connected -- could have a fundamental weight in playing this important role.

Theoretically, we found fundamentals on texts ranging from Marx, Lenin and Trotsky, to Castells, with his theories on social networks; Harvey on the changes in the labor world; Marini with his historical contextualization; Przeworski, who sought to fundament the basis of the social-democracy longevity on the consent of the exploited; among several other authors studied for the preparation of this work.

We finally consider that, in theory, the conditions are set, as well as the adequate tools, to improve the workers' organization, strengthening the fight for their emancipation. And this should be taken into account, considering the importance of multinationals as key international actors organized in networks.

If the response of the workers and their unions, -- organized in international networks -- will reach their goals, only time can tell.

To paraphrase our good old Karl "Workers of the world, unite, in networks"! Because the struggle must continue ...

### **List of acronyms, abbreviations and glossary**

AMI – (IFA) International Framework Agreement, signed between multinational corporations and international trade union federations.

AFL-CIO, American Federation of Labor – Congress of Industrial Organizations, North-American labor congress.

CCOO, Comisiones Obreras - Workers Councils, Spanish labor congress.

CGT, General Labor Confederation, French labor congress.

CHANGE TO WIN, North-American labor congress.

CUT, Central Única dos Trabalhadores, Brazilian labor congress.

FES, Friedrich Ebert Foundation, Germany.

FITIM, International Metalworkers Federation - IMF.

FNV, Dutch Trade Unions Federation, Dutch labor congress.

IADESIL, American Institute for Free Labor Development, connected to the AFL-CIO.

ICEM, International Federation of Chemical, Energy, and Mining Workers (former ICEF).

MEP, Movement for Workers Emancipation, one of the Brazilian leftist political organizations, during the military dictatorship.

OECD, Organization for the Economic Cooperation and Development.

ILO, International Labor Organization.

NGOs, Non-Governmental Organizations.

UN, United Nations.

CP, Communist Party of China.

PCB, Brazilian Communist Party.

PCBR, Brazilian Revolutionary Communist Party.

TUAC, OECD - Trade Union Advisory Committee.

UNCTAD, UN Conference on Trade and Development.

USSR, Union of Soviet Socialist Republics.

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