AMRC

RESEARCH ON THE MOBILITY OF CAPITAL

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BACKGROUND

In the era of neoliberal globalisation, the mobility of capital is a major challenge for labour movements in many countries. Capital is now moving into other spaces, times, and aspects of social life. Capital can move easily to those places that offer the best condition for accumulation. It is gaining more power and able to transform itself easily from productive into financial capital, and vice versa. More than ever, the power of capital can determine people's lives.

In the meantime, governments of developing countries have been offering incentives and favourable condition to invite capital entry in the form of policies regarding trade and tariffs, investments, taxation, special economic zones, and anti-union environments, among others. Consequently, there has been significant growth of capital originating from newly industrializing economies (Hong Kong, South Korea, Taiwan, and Singapore), together with Japan and western capitals to the Asian developing countries. While China has emerged as a key player in the existing global supply chains, other Asia's developing countries (such as India, Indonesia, Philippines, Thailand, Malaysia, Cambodia, Bangladesh, and Vietnam, among others) have been relying heavily on foreign direct investment in their economic policies.

Since 2002, the Asian Transnational Corporations (ATNC) Monitoring Network has been working to build up a regional network through which unions and labour organisations in different Asian countries can pursue concrete solidarity actions to improve working conditions of workers. A collaborative research on mobility of capital is one of this network's programmes that developed the model of 'Triangle Solidarity' which intends to deal with the changing shape of Asian capital and its impact on workers across the region. This work is carried out by bringing together unions and labour organizations in Asia, taking up a collaborative work that equips them with better strategies to cope with the trend of capital mobility.

In April 2010, the initial phase of current collaborative research among ATNC network was a secondary data gathering and discussion on recent capital mobility flows in Asia, exploring the pre- and post-crisis map of Foreign Direct Investment (FDI) in the region. The preliminary researches confirmed the relevance of the overarching research questions: current trends of informalisation, financialisation, and further expansion of free markets. It also succeed in generating further understanding and specifying the challenges of the labour movement in the region.

In the meeting, the researchers agreed upon the necessity of investigating the issue of financialisation further, as the researchers found the rapid growth of the financial sector in Asia, including in the developing economies. The fast growth of this financial capital is visible in the increasing flows of capital into banks, pension schemes, insurance, stock exchanges, etc. Indeed, the speed and the forms of financialisation differ from one country to another, but tend to be in line with the degree of liberalization and deregulation of their financial markets. For that reason, the researchers found the need to build a clear and common understanding of how Asian workers perceive the financialisation taking place, to enable workers to determine in what way their bargaining power is being affected, and what responses should be taken. The research will focus on two industries, electronics and automotive, as the operation of major Asian TNCs in the two sectors has been growing in most Asian countries.

GENERAL TREND OF FINANCIALISATION

AMRC began the meeting with the discussion on a conceptual framework, raising key questions on what financialisation means, how financialisation happens and what the significant impacts of this process are on workers and on labour organising in Asia.

The recent financial crisis, resulting from the financialisation of the western economy, has had enormous consequences for the strength of the labour movement, creating job losses and loss of union membership, among others. Likewise, the process of financialisation is also taking place in Asian economies, not only in the first generation of new industrialised economies (Hong Kong, South Korea, Taiwan, and Singapore) but also in the developing countries. Speculative capital invests in several sectors including land, real estate, and insurance schemes.

Epstein (2005) defines financialisation as *"…the increasing role of financial motives, financial market, financial actors and financial institutions in the operation of domestic and international economies*." In his recent work, *Enigma of Capital and the Crisis of Capitalism* (2010: 23), Harvey pointed out exactly that auto corporations are run by accountants rather than engineers, as their financial division dealing in loans to consumers are highly profitable. Thus, a *quantitative* expansion of finance in the operation of domestic and international economies is obvious (Epstein, 2005; Kotz, 2008; Harvey, 2010). For instance, foreign exchange transactions in the world economy have increased from US$15 billion per day in 1973 to US$ 80 billion per day in 1980, and then up to US$1,260 billion per day in 1995. Goods and services purchased in 1973 were only 15% of total world trade transactions. However, by 1995 the figure fell down to less than 2%. It means that the explosion of 9.8% in currency trading has not been primarily for the purchase of internationally traded goods and services, but for financial transactions (Kotz, 2008). Many studies further explained that the profit of financial corporations has been drastically increased, surpassing the profit of non-financials corporations.

Financial transactions in the global economic activity, as Kotz (2008) distinctly put it are now mainly speculative. A statistic shows that the global economic activity in 1971 was valued at US$1.4 billion per day, where 90% of it was for the real economy and long-term investment, and 10% was for speculative transactions. However, by 1990 the value had shifted drastically: 10% of financial transactions went to the real economy and long-term investment, and 90% to speculative transactions. Other statistics have shown roughly the same figures. As recorded by *New Internationalist*, in 2000 alone, 95% of US$1.5 trillion of global financial transactions is speculative; 80% easily move out of a country within one to seven days, 40% can leave in less than two days (*New Internationalist*, February 2003, p. 9). Consequently, there is *a qualitative* expansion of the role of financial institution, i.e. the transformation from being a servant of non-financial transactions to being a master of them, accumulating the capital for their own profit through the financial activity.

The following discussion elaborates a more concrete picture of the financing development in current electronic and automotive industries. The discussion shows the researchers' own articulations about the trends of Asian foreign direct investment in both capital-sending and receiving countries.

PRESENTATION AND DISCUSSION

Capital-Sending Countries

China, Taiwan, South Korea, Japan

- China - May Wong (Globalization Monitor)

Although China has been receiving foreign direct investment, it has also begun to invest in other countries. China has been seeking new markets, securing resources, and obtaining technology as well as brands. The country has commenced its overseas investments since the late 1970s, promoting its government-owned and subsidised companies around the world. Its overseas investment has three phases: first from its beginning in 1979 to 1991; second, from 1992 to 1998; and third from 1999 up to the present. China FDI escalated after 2001 and the rising trend could be seen from 2005 onward.

Nevertheless, official data of China's outward investment is seriously underestimated; there is a lack of transparency and many irregularities regarding Chinese companies investing overseas. Figures of imports by trading partners show large discrepancies with official Chinese figures regarding them.

How does this Chinese outward flow of FDI affect local Chinese labour? A statistic from the Chinese government even shows that urban household consumption in the period of 1981-2005 was increasing while in the rural households it was decreasing. Thus, it has added push factors for rural Chinese people to migrate as labour to industrial zones across China.

China is becoming an indispensable manufacturing capital-sending country in the region. There are anxieties that Chinese capital is only held as portfolio investments, which we do not know how long it would stay invested and how the money is being utilised; since there is no transparency, it could end up sourcing from social security funds, as workers have a significant contribution in it.

While there are cases in Africa where Chinese investments are criticised for being aggressive and extractive, at home Chinese workers are suffering from exploitation as they work in substandard working conditions with low wages and without social protection. The challenge is that most of these migrant workers within China are not easily organised.

- Taiwan - Charlotte (Labor Watch)

Taiwan's Small and Medium Enterprises (SMEs) in the electronics sector are the backbone of Taiwan's economy. There are estimated to be around 50 million SMEs, absorbing around 75% of manufacturing jobs. However, 7,000 SMEs collapsed in October 2008 following the financial crisis, with 20 million workers having lost their jobs. SMEs expected mother and host countries to provide loans to stimulate

SMEs economic activity.

On June 29, 2010, Taiwan and China signed the Economic Cooperation Framework Agreement (ECFA), a landmark bilateral trade agreement that will make Taiwan a new gateway to China. The agreement resulted in the release of financial restrictions between the two countries. Banks and financial institutions of Taiwan are able to set up branches in China and provide loans to Taiwanese SMEs. This has provided greater links of economic and financial systems across Taiwan and China, and has affected the spread of financialisation risks of SMEs to workers in general in Taiwan. The closer economic cooperation between China and Taiwan could directly affect people of Taiwan.

- South Korea - Hyun-Phil Na (Korean House for International Solidarity, KHIS)

Korea and some other East Asian economies are suffering from the so-called hollowing out phenomenon, as long-established domestic industries have been transferred to other countries for the sake of competitiveness (cheap labour), yet this has not been substituted by creating new jobs.

Korean direct overseas investment was decreased following regional economic crisis in 1997. However, it has gained a steady increase since 2003. Although it fluctuated during the 2008 crisis, the general increase could still be relatively maintained. After the 1997 crisis, the Korean economy grew steadily and gave way to allowing small enterprises to operate overseas (mostly labour-intensive light industries such as electronics and mechanical parts) in developing countries, of which China has been the most favourable. Since 2003, the movement of capital has also included Korean medium-size enterprises and heavy industries.

This situation has affected the Korean labour movement. Since the 1980's, Korean organised labours were very active and considered as the most militant labour movement in Asia. However, the movement recently has been facing a difficult situation. The increasing number of irregular workers as well as the obvious threats of job losses, has partly contributed to the problem. The solidarity among workers, such as between irregular and irregular workers, is declining. There is only little solidarity to support strikes of affiliate unions. Furthermore, organised workers in the so-called established sectors are embedded in the financial market as they are privileged under labour shareholder schemes.

In this particular context, there is a need for building solidarity among workers. The most possible solidarity that KHIS could build in the near future is between workers in the automotive sector in India and South Korea.

- Japan - Tono Haruhi (Yokohama Action Research)

Automotive industry

China, India, and Brazil are newly emerging markets for the Japanese auto industry. Overall, sales of Japanese automobiles in Asia suffered the least impact from the 2008 global financial crisis, where Asia has now overtaken the US as a principal market of Japanese automobiles. This has given a chance for Japan to consolidate the regional supply and market network in Asia.

In the production chain of components, complete knock down (CKD), and complete built up (CBU), Japan keeps its core technology through localised first layer, where other countries are directed to produce particular components for assembly: Thailand (diesel engines), Indonesia (gasoline engines), Philippine and India (manual transmissions), China (trial with auto transmissions). The size of the workforce is underestimated, as there are unreported reductions of the workforce.

A government subsidy policy on eco-cars boosts their sales. Meanwhile, reinforcement of the labour strategy of combat by divide and conquer: irregularisation domestic and abroad – and protection of the regular labour sector in the assembly plants – enabling quick retrenchment and replacement even though the number of workforce of Japanese automotive sector around the globe has increased between 2008 and 2009.

In the case of Toyota, the biggest production of Toyota is in North America, and production in Asia has decreased in 2010, except in Thailand where it has an annual production of 200-500 units. Toyota has been disclosing new business strategies of eco-cars following the 2008 crisis. The crisis has caused a 54% decline in quantity of car production, as the market in America could not absorb the autos.

Japan FDI on automotive has decreased globally. Following 2008 crisis, Toyota announced "the planned dismissal of 3000 fixed-term workers," and afterward Japanese TNCs started to dismiss dispatched workers. In Japan, there were around 7,000 non-regular workers in Toyota's main plant and domestic subsidiaries were laid-off. Workers of parts-suppliers were also lost their jobs, but there was no exact number how many of them have been dismissed.

Electronic industry

In the electronics industry, Japan has more direct and immediate reaction: closure of plants and dismissal of workers, both domestic and abroad. Its production base is in Malaysia, Indonesia, Thailand, and Philippines. It has expanded also to China and Vietnam, and building marketing strategy to the newly emerging markets in BRIC countries. However, it is vulnerable to capital turnaround and needs external funding.

In 2008, the number of workers in Japan electronic companies in Asia has decreased. There has also been decreasing number of employment in Japan, which referred as industrial hollowing.

Company like Panasonic has declined in 2007, and two years after it announced to shutdown its various branches. Panasonic began new strategy by focusing eco-friendly product and the promotion of solar energy. In the region, the investment has shifted from ASEAN countries to China.

Trends of Japan FDI in Asia – both in electronic and automotive – show the significant role of China in the global economy.

Capital-Receiving Countries

1. Electronics industry
   Malaysia, India, Indonesia, Philippines

- Malaysia - Saharuddin Adnan (Labour Resource Centre, LRC)

The net FDI inflows into Malaysia for the period of 2000 -2009 have increased. However, in term of share of GDP it decreased as compared to the period of 1990-1999. An increasing portion of the inflows of FDI has been channelled into the financial services, but manufacturing continues to be the main recipient of inflows of FDI (47% of total FDI in 2009).

One of principal export markets for Malaysian electronics has been the USA. Following the crisis in 2008, the absorption of products from Malaysia has decreased from 26.4% in 2007 to 22.1% in 2008, and only 15.7% in 2009. Market orientation has moved from USA to China.

The importance of equity as a source of financing has been declining. In the 80s and 90s, equity constituted approximately 40-50% of the total source of financing for the approved investments in the manufacturing sector. Nevertheless, its importance has been taken over by loans and other financial sources in recent years.

Problem of organising electronic workers in Malaysia is the fact that there are black labour agencies, which bring workers from other Asian countries – mostly from Indonesia – to the country's processing zones. This affect industrial relation as the labour agency has blurred the industrial relation. Proportion of this migrant labour supplied by black market agency is 40% migrant workers coming from Indonesia, while only few engineers are locals.

- India – Sreedhar Ramamurthi (Environics Trust)

Capital flows experienced a compositional change from mainly official and private debt flows to non-debt creating flows in the post reform period. Since the introduction of reforms process, India has registered a significant increase in capital flows. The net capital inflows have increased from US$ 7.1 bn in 1991 to around US$ 108 bn in 2008.

After 2008 financial crisis, net inward FDI into India remained buoyant at US$ 21.0 billion during April-September 2009 (as against US$ 20.7 billion in April-September 2008) reflecting the continuing liberalisation and better growth performance of the Indian economy. During this period, FDI was channelled mainly into manufacturing (21.4 per cent) followed by communication services (12.8 per cent) and the real estate sector (12.6 per cent). Net outward FDI of India at US$ 6.8 billion in April-September 2009 remained at almost the same level as that of the corresponding period of 2008-09. Due to the large inward FDI, the net FDI (inward minus outward) was marginally higher at US$ 14.1 billion in April-September 2009. Portfolio investment mainly comprising FIIs and ADRs/ GDRs witnessed large net inflows (US$ 17.9 billion) in April-September 2009 (net outflows of US$ 5.5 billion in April- September 2008).

Some of the key electronics companies in India are Philips, Sony, LG, Samsung, Videocon, MIRC, Nokia, Flextronics, and IBM. It has only recently targeted domestic market where consumer durables have been growing at an annual rate of 7-10%. However, competition with China in attracting investment has been taken as an excuse to lower the labour standards.

Although wages in the electronic sector seem to be comparatively better than in other manufacturing sectors such as the garment sector, they are still below the living wage calculations.

Labour rights violations were reported by the interviewed workers. Especially the lack of collective bargaining agreements and the absence of any other mechanism through which workers can assert their rights in any of the factories should be of concern. The comparison made between India with China in public discourse and the resultant fervour in ratcheting down labour and environmental standards to compete with China creates a situation in which issues of concern are downplayed.

- Indonesia – Musrianto (Congress of Indonesia Union Alliance, KASBI)

The main investors of electronic sector in Indonesia are still dominated by Japan and South Korea. There is no single significant relocation of a factory has found. Tentative hypotheses on the reasons underlie the decision of these electronic companies not to relocate their businesses are that electronic production sector requires certain skill level from its workers.

So far, the pool of relatively skilled workers is still concentrated in areas near main cities where also become the centre of education such as Jakarta and Bandung. The skill level of electronic production companies' workers is different from skill level in the garment and textile factories. Therefore, it may be more risky for them to relocate their business to other areas with less skilled workers. Electronic production sector also requires higher capital investment compared to garment and textile production sector. Thus, they need to give much thought before relocating their business to other areas.

Nevertheless, the violence against labour standards is very common. Recently, there are 1,200 workers of one of electronic factories are struggling to form a union as the company is trying to stop them.

- Philippines – Janet Macailing (Workers Assistance Center, WAC)

Electronic and semiconductor industry in the Philippines is the biggest dollar-earning industry in the Philippines. Approximately 700-800 companies engaged in production for the sector. 75% of the companies are foreign-owned while 25% are Filipino owned as of 2003 data. Number of companies under the sector increased to 912 in 2007 for which 72% are operated under foreign capitals and the rest by Filipinos. Major Production Concentration of electronic industry in Philippines is as follows: Cavite, Laguna, Batangas, Rizal, and Quezon (CALABARZON) provinces accounted for 48%, Metro Manila 42%, and Cebu 7 %.

The industry directly employs over 400,000 engineers, technicians and operators and prides itself in enabling the transfer of the best global practices on high technology manufacturing to the Filipino worker in 2008. It provides employment and livelihood indirectly to thousand more involved in allied and support industries. Recently the industry has been overrun by the business process outsourcing (BPO) sector following the crisis.

- Vietnam – Minh Chau Nguyen (Center for Research and Sustainable Development)
  (*Summery of her paper)*

The development of electronic industry in Vietnam is divided into two stages. First is from its beginning in 1975 to 1990 when the country unified, and some electronic companies started coming in to shape the country's infant electronic industry, including Sony, National, and Sanyo; most of these companies were specialized in consumer electronics.

Second stage is started from 1990 up until now. After *Đổi Mới* with the orientation toward renovation and integration, Vietnam's economy began to move toward the direction of market economy. This period indicated with the release of policies in favour of investments, strong promotion of infrastructure, and export-processing zones development. There were changes in investment policies to make them more flexible – in 1990, 1992, 1995, 2000, and 2005.

Currently the proportion of FDI in Vietnam is predominantly in the electronics sector (78% foreign-owned enterprises), which accounted for almost US$4 billion (82% of total FDI). Vietnam joined ASEAN in 1995, signed the bilateral trade agreement with USA in 2001, and accessioned in WTO in 2006. Ever since, there has been increasing FDI from developed Asian economies, where Japan, Singapore, and South Korea are key investors. Like in many other capital-receiving countries, Vietnam has low local content and weak local component in the industry.

2. Automotive industry
   Thailand, Philippines, Indonesia

- Thailand – Woradul Tularak (Labour Education Center, LEC)
  (*Taken from his paper, key pointes were highlighted by Fahmi)*

Since 2000, Thailand FDI in the automotive sector has increased over time. In 2009, the value of FDI in the sector was US$1,443.97 million which the first led other industries. It increased from US$1,407.78 m in 2008 and US$1,248.81 million in 2007 while some others experienced the declining such as petroleum products, financial institutions and mining sectors. Within the manufacturing industry, FDI in automotive sector had the share of 38.6% of the total value in manufacturing and 26.1% of the total FDI which includes service, construction, real estate, agriculture sectors and others. The greatest FDI into Thailand have come from Japan, the US and EU respectively. More than a half of FDI in the automotive sector has been the direct investment from Japanese MNCs.

Thailand is regional automotive hub, with passenger cars export to ASEAN accounted for 9.5%, Australia 15.2%, and Middle East 14.3%. The form of financing the automotive industry is as follows: (1) state loan programs to Japan TNCs in auto sector with local Japanese owned financial institutions; (2) Thai bank loan programs with Japanese banks. Financial institutions for Thailand automotive industry are as follows:

1. *Japanese Bank for International Cooperation (JBIC)* in the automotive sector is to provide financial support to Japanese affiliates and subsidiaries with various financial instruments and methods.
2. C*o-financing with Thai bank*. In 2010, JBIC signed the loan agreements with Bangkok Bank Plc. to provide loans in the amount of 30 million US dollars to Japanese MNCs focusing on the automotive industry and the electric appliance and electronics industry Thailand. This loan will be provided through the Bangkok Bank Plc.
3. *Co-financing with Japanese banks and Thai Bank*. In 2007, JBIC signed 26 billion yen untied loan in supporting industries for local Japanese subsidiaries and affiliates, especially in the automotive, home appliance and electronics industries. JBIC signed united loan with one

of the top Thai local bank Kasikorn bank in co-financing with eight private financial institutions (Sumitomo Mitsui Banking Corporation (lead bank), the Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd., the Bank of Kyoto, Ltd., Higashi-Nippon Bank, Limited, Sumitomo Trust & Banking Co., Ltd. and Nomura Trust and Banking Co., Ltd), with JBIC providing a guarantee for their co-financing portion.

4. *Local currency-denominated bond guarantee.* In 2004, JBIC signed an agreement providing a guarantee for a baht-denominated debenture issued by Tripetch Isuzu Sales co. ltd., a Thai joint venture of Mitsubishi Corporation and Isuzu Motors in the amount of 3.5 billion baht. (www.jbic.go.jp).
5. *Financing by Thai banks.* In 2009, the total amount of loans from Thai commercial banks in the automotive sector was around 15,028 million USD accounted around 7.2 percent of the total amount of loan in production activities in manufacturing. (bank of Thailand statistics, 2010).

Compared the sources of financing in the sector, the amount of financing by Thailand's banks was much greater than FDI and the other sources. It has witnessed the upward trend of financing by the banks to the major automotive MNCs. This is also reflected that Thailand's banks are the major player in the automotive sector and the most profitable sector in Thailand since they got out from the crisis in 1997-1998.

- Philippines – Analea Escresa (Ecumenical Institute for Labor Education and Research, EILER)

Philippines' domestic economy remains predominantly backward and pre-industrial, while the level of technology remains remarkably low. There are no basic industrial base that will serve as the foundation for local automotive industry. Auto production will remain small-scale and costly, yielding low value added products and relying on importation of raw materials.

Asian auto TNCs confined domestic vehicle assembly and auto parts manufacturing to small-scale production, low value-added products and high cost of production. Through bilateral and multilateral trade agreement, foreign capital limited the Philippines to lower value-added production. FTA has been instrumental in connecting the disadvantaged position of developing countries in the streamlined auto production system in the region.

Philippines automotive industry, which is only dealing mainly with assembly, is absorbing 74,000 workers. Around 126 Asian companies engaged in the manufacture and/or assembly production. There is no expansion in investments in the past 10 years; even as the number of participants to the government's Motor Vehicle Development Program (MVDP) increased from 23 in 2002 to 47 in 2009.34. This trend is consistent with the general decline of investments from 1974 to 1994.

Case of Toyota Motor Philippines Corp. (TMPC)

TMPC is the only Toyota subsidiary in the world that is "locally-controlled." When TMPC was established in 1988, 51 percent of its capitalisation was financed by Metropolitan Bank and Trust Corp. (Metrobank), a leading commercial bank in the Philippines, while 34 percent came from its parent company, Toyota Motor Corp. The remaining 15 percent was financed by Japan-based Mitsui Corp. Metrobank has a universal banking license with significant equity ownerships inside and outside of the country. It is also a key player in the Philippine Stock Exchange.

A closer look at TMPC's recent breakdown of shares will show that Metrobank opted to divide its 51-percent share between itself (30 percent) and Titan Resources Corp. (21 percent), a Filipino company which has the same address as that of Metrobank. Similarly, Mitsui retained its 15 percent by dividing it between itself (6 percent) and Filipino company Maximus Management Holdings (9 percent) linked to Mitsui Japan. Obviously, such a breakdown of shares is only meant to make it appear that TMPC is majority owned by Filipino. Another domestic commercial bank, Rizal Commercial Banking Corporation (RCBC), is entrenched in at least two main automotive companies in the country. RCBC owns 12.87 percent of Honda Cars Philippines' shares and 15 percent of Isuzu Philippines Corporation. With banks controlling significant shares of major auto TNCs in the country, assessing the nature of additional or new investments by parent companies to their subsidiaries in the Philippines becomes more complex.

The rate of production of the automotive industry has already not competitive. Toyota in Philippines could only produce 1 unit every 7 minutes, while in Japan 1 unit in just few seconds. As workers' wage has already low, another big challenge for workers in the automotive industry is the further liberalisation by implementing zero tariff importation of auto part and Completely Built Units (CBUs) into Philippines, which will demolish the industry and job loses.

- Indonesia – Agus Rakasiwi (Sedane Labor Resource Center, LIPS)

The automotive industry in Indonesia has been established since the past 40 years, but it confined only as an assembling industry, and the country is the biggest motorcycle market in Southeast Asian country. The leading players of this industry have been dominated by Honda, Yamaha, and Suzuki. Two strategies of state financing in the industry are as follows: first, subsidies to local strategic sectors as compensation for removal of tariff; second, fiscal and banking policies to increase market of credit purchase to consumers.

In general the challenges are including the liberalisation, fragmentation of trade unions, and immediate lay off of 20-25% of workers, as well as flexibilisation and union busting. The case study of PT GSS – a supplier for PT Astra Honda Motor (AHM) – illustrates at least two aspects: firstly, the global financial crisis in 2008 was abused by companies to suppress basic worker rights like wage increase and yielded the expropriation of the right to work. Secondly, these violations led to union busting, even if none of the activities was directly done to ban unions, but labour law provides the opportunity to dismiss workers, including permanent ones. And there have not been any efforts to organize temporary or outsourced workers yet.

The study also found that there is a hybrid informalised production network where Astra Honda Motor has 500 vendors and suppliers, 1600 dealers, 4000 official workshops and 7000 spare parts shops. Dismissed workers which previously were regular workers would rather become informal suppliers by opening informalised workshops or distributors, taking the advantage from the huge demand in the market.

RESEARCH FINDINGS AND SYNTHESIS

- **The growth of Asian capital**

Researchers have identified the model of Asian development according to their own articulation, looking at how is manufacturing capital in Asia capitalised, identifying where the money come from, and investigating how is the process of financialisation in the electronics and automotive industries taking place. It found that based on the accumulation of high profits of Asian TNCs, corporations from Japan as well as newly industrialised economies (Hong Kong, South Korea, Taiwan, Singapore – and now China) are replacing westerns corporations to become main sources of outward FDI in some key Asian manufacturing industries.

The researches show that Asian electronics and automotive industries are dominated by few giants (i.e. Toyota, Honda, and Hyundai – Samsung, LG, Sony, Foxconn/Apple) where first tier suppliers in host countries return a profit to the mother countries via intra-firm trade of core components. However, electronic sub-contracting companies are growing unlike in the automotive. Electronic has a different model in term of production and global supply chain. The role of China in electronics industry is necessary to observe, as China has gained more power to do as it wish.

- **Quasi-FDI**

There are cases of quasi-FDI where investment is actually originating from within, as financing made by local banks in host countries (Thailand, Philippines). Other case shows that FDI has been used to disguise trade surplus, a pressure to currency appreciation (China).

Quasi-FDI is also to disguise higher profit recovery via intra-firm trade, merger and acquisition, and round tripping activity - i.e. domestic investment capital routed through external channels, so as to qualify for privileges awarded to foreign investors (Japan, China). Moreover, there are portfolio capital and hedge risks which are disguised as FDI (China).

- **FDI dependency and technology transfer obstruction**

The dependency of capital-receiving countries on the FDI will remain heavy. Asian TNCs constantly confine the developing countries' manufacturing to the small-scale production and low value-added products. Those countries are used as a regional hub and sub-contractor (assembler), yet there is no vertical integration with the overall industrial structure.

Technology transfer will always be an illusion. Lingering with the lack of resources and producing only for designated components, technology transfer obstruction is very obvious.

- **Free market expansion and the role of state**

Foreign Trade Agreements (FTA) has been promoted actively to remove trade barriers for the further expansion of capital. In the meantime, there is a consolidation of few core suppliers in the market with the informal economy where workers or ex-workers could be a distributor of company's product (the case of motorcycle industry in Indonesia).

State will continue to facilitate capital by maintaining low-wage policy based on export processing model. It will also increase systematic attack on unions, and intensify the divided workers (permanent, contract, outsourced, informal). State will further boost the market and economy via stimulus packages, state fiscal policy and liberalizing bank loans. This changing financialising strategy is aimed at socialising the risks of doing business.

CHALLENGES AND WAYS FORWARD

There are key questions emerged: What this trend means to workers? How should labour movement respond to it? What is the implication of those trends to the workers' bargaining power?

Workers in capital receiving countries (in this case: Indonesia, India, Philippines, Thailand, Malaysia, as well as China) are locked in low-added value's production model. They earn very low wages and denied to the social security access. As there are pushing and pulling factors of capital mobility to the places where accumulation can take place at the best conditions – i.e. government incentives to attract FDI meant to have more control on labour in one hand, and the expansion of capital through the expansive agenda of free trade agreements on the other – this means that workers' bargaining power is getting more weakened.

At the same time, however, workers also targeted for their consumptive power by state financial and fiscal polices – such as subsidies, easy access to credit, and low interests rate. Therefore, struggle for the real wage increase to some extent and in some places were successful, mostly because workers are expected to absorb the surplus of production. The wage increase is made to be possible only to the level where workers can consume and absorb the surplus products. The recent Japan government's incentive programmes (see http://www.bbc.co.uk/news/business-12085157), for example, have helped Japanese people buy certain types of car, aimed at lifting their auto industry from the crisis.

There is a need to elaborate labour organising framework that able to cope with the capital accumulation and the aggressive movement of TNCs. This includes a macro-economic analysis of the bigger picture of electronics and automotive industries, by looking also at other sectors which supply the raw materials (e.g. mining sector).

ATNC Monitoring Network has been working to build up a substantial solidarity between workers and labour organisations in both capital exporting and importing countries in the region. The solidarity, called "triangle solidarity", has a specific context to address this uneven development in the region. This context is that the full integration of developing countries into global capitalist development from 1980s onwards was happened when neoliberalism policy was set up on the final stage. As a result, the policy has been pushed to be implemented in those developing countries, primarily to remove all barriers in trade and finance, right in the time when developed economies were fully prepared. The heavily-dependence of developing countries upon FDI is reflected from this historical context. Therefore, unlike other model of solidarities, ATNC network's triangle solidarity is aimed at building a solid cooperation among grass-root workers and labour organizations in both capital sending and capital receiving countries, this way they are capable of dealing with the mobility of capital.

However, the current labour trend has created more challenges to the ATNC network, as those were reflected in the discussion. Those challenges are as follows:

- **Challenges:**

  - The militancy of workers in capital sending (mother) countries are weakening, due to the closure of enterprises and retrenchment (Japan), the intensification of irregularisation where workers are divided into regular and irregular (Korea). This trend has weakened the class power, action and solidarity.

  - The increase of union-busting in capital receiving (host) countries, systematically divide workers into outsource, contract and permanent. Other tactics are the use of migrant labour from surrounding countries (in the case of Malaysia), creating a horizontal conflict within workers and unions (usually by using yellow union), extra legislative policies to bypass labour law (Malaysia), and workers participation in the informal sector as a way out (Indonesia).

  - An exposure to new risks began to emerge: portfolio investments of the mother company; tripping of profits to subsidiaries in the host countries; participation in the financing of company – via shareholding schemes, and via promotion of investment tools by banks. This means the capital will be more mobile *vis-à-vis* immobile labours.

- **Ways forwards**

Two group discussions, electronic and automotive, have discussed the following ways forward, and then they developed their action plans further in the ATNC annual meeting the day after.

Group I: Electronics

2011 Plan

Task	Timeline	Person-in-charge	Remarks
Database - design the framework - collect information on working conditions and suppression of trade unions - unfair labour laws of different countries	Starting from Dec 2010	Debby	- framework will be designed in October 2010 - all the members will contribute information in their correspondent countries
Newsletter (3 times a year)	Starting from Dec 2010	Sreedhar & Din	Information will be based on database
Announcement of the worst electronic company: SAMSUNG	(before the up-coming AGM of Samsung, around March 2011)	Din	press release
Appeals to the international trade unions	March 2011	Lennon	
Actions	March 2011	Debby	an Asian action day in different countries

Group II: Automotive

2011 Plan

Research
1. Publishing research papers on capital mobility
2. Further research on the financialisation of auto capital and capital mobility; focus on Hyundai, Toyota, Honda and one Chinese Auto Company.
3. Sharing information – upload to ATNC website; the information should be verified and communicated to the unions and workers (bottom up information). A framework is needed to synthesise the research papers to give regional trends about capital and workers' actions.
4. Identifying the production tiers and the regional production network (need to find the connections between the workplaces we are organising)

Education
1. Synthesis of research output into worker education materials (consolidation of existing network materials on struggle cases in the auto industry).
2. Fact sheets – chronology – issues on Toyota, Ssangyong.
3. Film on Asian auto industry and workers (editing and integrating existing footages: India (NTUI), Indonesia Honda (LIPS), Toyota, Ssangyong (KHIS)

Campaign

1. Action Day 16 March – Toyota Philippines dismissal day.
2. Joint campaign week in September – ILO recognition of the illegal dismissals.
3. Ssangyong Day of action (to be announced).

   (On Ssangyong – the union is considering putting forth lawsuits on the illegal dismissals of 159 women workers; to bring political pressure to the national assembly on the case, studying possibility of putting forth a lawsuit on the Ssangyong manager for fabrication of finances in the Ssangyong-SAIC deal, and preparing obstruction to Ssangyong acquisition of Mahindra (India))