

spring, Chinese Deputy Finance Minister Zhang Youcai announced that China's state sector had registered a loss of 31 billion yuan (approximately \$6 billion) and is getting into more debt all the time. He said that the heavy industries had only until 1995 to turn the situation around. Zhang said that even profitable enterprises were losing 10% per year due to production of shoddy goods. Yet, more economic zones are being set up along its Russian, Mongolian, and North Korean borders. The zones will be aimed at spurring Chinese trade with these countries as well as attracting foreign investment.

All year, there have been regular reports of unrest—including strikes, demonstrations, factory occupations, and even attacks and killings of factory bosses—by China's generally well-controlled work force. The government is trying to implement an industrial "contract labor system" like that set up for agriculture after 1978, but the situation is much more difficult. The industrial work force has been "pampered" by Chinese standards. Now, Beijing is warning that "reforms" will mean mass layoffs, which means loss of food, housing, and medical and education benefits. At least 10 million jobs will be rationalized in the next five years, with up to 3 million workers losing their jobs this year.

Just before the 14th Communist Party Congress this month, the party leadership began circulating a document titled "Strengthening Police and Legal Work to Better Serve the Cause of Reform and Openness," which states that "the more we go for reform and opening, the more we have to strengthen police and legal work."

## Transport

China is again, as in 1988, running up against its tremendous shortfall of infrastructure. At that point, the government's response was a total shutdown of growth and cutoff of credit to prevent "overheating." The political response of the population was seen in Tiananmen Square the next spring. China's lack of transport, water, energy, and raw materials development once again threatens to choke the economy. Even reputed economic "reformer" Zhu Rongji constantly emphasizes the problems of China's transport network. The railroad network has only grown by 2.8% per year, while the economy is growing 10-20%. Rail construction averaged over 900 kilometers a year until 1980, but since has stalled to just over 300, and investment in transport as a percentage of the economy has fallen from 2.5% in the early 1970s to just 1% now. Yet China remains with a very low density of railroads to both population and land area, compared to even the former Soviet Union or India. Of new construction, the much-emphasized 2,000-kilometer north-south railway, which will link Beijing with the south coast, is being built primarily by manual labor.

Of China's 1 billion kilometers of roads, only 25% are paved, and only 4% are either first or second class. On the roads, only 60% of transport is motorized—the rest being animal- or even *human*-powered.

# New austerity program begins in Australia

by Don Veitch

In a series of measures aimed at introducing a free market regime in Australia, the newly elected Liberal government of Victoria (Australia's second largest and most populous state) has moved to abolish all basic wage rates and working conditions and to restrict the activities of trade unions. Seven thousand public servants are to be immediately dismissed, taxes are to be increased, and government-owned enterprises and hospitals will be privatized.

After a decade in the opposition in both Victoria and federally, the rabid free market-oriented Liberal Party, led by former International Monetary Fund (IMF) executive Dr. John Hewson, is now rushing to implement its agenda. The measures of the new Liberal government in Victoria are a harbinger of things to come. Victoria is set to become Australia's first *maquiladora*, in imitation of the slave labor camps on the U.S.-Mexico border. Not surprisingly, Hewson has pledged that if the Liberals also win the upcoming national election, he will bring Australia into the North American Free Trade Agreement (NAFTA).

These free marketeers pushing the agenda in Victoria, however, may have moved too quickly. The threatened backlash from Victorian workers over these "reforms" could jeopardize Hewson's chances to become prime minister of Australia in the next federal election (due to be called no later than March 1993).

The new Liberal government that beat out the ruling Labor Party with 56.2% of the vote to Labor's 43.8% on Oct. 4, is now headed by Jeff Kennett, a former advertising industry executive. Kennett has bragged privately about his "Genghis Khan"-like beliefs and his intention of leaving his mark on politics.

## Attack on wages and labor

Within three weeks of winning office, the new government moved to balance the state's finances with a "mini-budget." A number of revenue-raising taxes were introduced including a \$100 tax on each house. This latest measure is reminiscent of former British Prime Minister Margaret Thatcher's infamous poll tax. To no one's surprise, the Kennett government moves have been supported by the Rupert Murdoch and Conrad Black-controlled press in Victoria.

The mini-budget was immediately followed by an announcement that a 17% bonus paid on all public service holiday pay was to be abolished. These steps were a soften-

ing-up for the next stage: the abolition of all state industrial pay awards.

The anti-labor package introduced into Victoria's parliament sent shockwaves through the community. It is the strongest attack on working conditions here for over 100 years, since the depression of the 1890s. All minimum wage agreements and former entitlements such as extra pay for night and weekend work are abolished as of March 1, 1993. The real aim of this step is to force workers to negotiate work contracts directly with the employer.

The attempt to drive down wages is complemented by an attack on organized labor. Individual workers can be fined \$5,000 for breaching work contracts, and unions will not be recognized in the work-place negotiations. Compulsory unionism and "closed shops" will be outlawed. It will be illegal to organize pickets at the work place with more than five people, and police attendance on picket lines will be compulsory.

All proposals to strike must hold a court-supervised secret ballot, and each ballot will warn strikers that "if you take part in a strike or other industrial action, you may be in breach of your contract of employment." Strikes are not to last longer than five days.

Further special legislation will enable the prime minister, in consultation with the governor, to declare certain industries as "vital industries" and to outlaw strike action completely. Workers will be fined \$25,000 each for breaching the act. Unions can be fined \$250,000.

### **A general strike has been called**

Victorian unions have responded with a call for a general strike on Nov. 10, and the federal Labor government plans to challenge the Kennett measures in the High Court. Labor Party Prime Minister Paul Keating has stated he will attempt to move workers out of state awards and into federal awards. This is a clever move by Keating, as he can now appear as the champion of workers. It was Keating who, as federal treasurer in the 1980s, functioned as a champion of the bankers' interests by deregulating the financial sector. It is black irony that he should now pose as a champion of ordinary Australians.

The stage has been set for a period of unprecedented confrontation. When the measures were first announced, 2,000 unionists marched on the state parliament. John Halfpenny, a Moscow-trained former Communist Party member and now secretary of the local union movement, has warned that "something will happen everyday from Nov. 10" (the day of the proposed general strike). Halfpenny says Victoria does not have enough jails to hold those who will protest. Recent reports indicate that a special anti-strike force of Victorian police is to be organized to control the strikers.

The speed with which the measures have been introduced has caused some disquiet among the federal Liberals. With a huge majority in both houses of state parliament, the Kennett

government has already developed a ruthless arrogance. Secret wage deals have been concluded with senior public servants. On the other hand, Kennett has created more positions for his own supporters. The minister who introduced the legislation to abolish wage awards was given an \$8,000 pay raise on the same day. Other Liberal politicians are to receive pay raises of up to \$25,000.

### **Cronyism will spread**

The new program in Victoria is but a dress rehearsal for similar action that will be taken if Hewson wins federal office. Hewson has vowed to end all Australian tariffs immediately, to impose a 15% goods and service tax, deregulate all labor conditions, and sell most government assets. In effect, the economic capacity of government is being stripped away.

The justification for the Kennett "reforms" is that unions and wages are a hindrance to growth and prosperity; that Australia must become "competitive."

The Kennett agenda is primarily pushed by the Western Mining Corp. (WMC), which is a large bankroller of the Victorian Liberal Party. Its chief executive is Ray Evans, a member of the anti-union H.R. Nicholl Society and a free trade think-tank, the Institute of Public Affairs. Evans is also a member of the Mont Pelerin Society. In 1990, Kennett, as leader of the Liberals in opposition, made moves to support tariffs. The head of WMC, Hugh Morgan, claimed that Kennett was "splitting" the Liberal Party. Kennett soon backed down and has not raised the issue of tariffs again. He has now moved quickly to endear himself with the New Right which firmly controls the Liberal Party and is dedicated to implementing IMF policies. As was explained by the director of personnel at WMC, Barrie Purvis, the Kennett measures had simply not gone far enough!

Throughout the 1980s, the Australian economy was moved in a free trade direction, primarily due to the deregulation of the finance sector by then Treasurer and current Prime Minister Keating. The results? The national debt rose from \$5 billion to over \$180 billion. Clearly, the next goal of the New Right is to deregulate the labor market and to drive wages down.

Despite the apparent antagonism between the Labor Party and the Liberal Party, within a short period of time Australia will have zero tariffs, a totally deregulated wage structure, an unregulated banking sector, a floating exchange rate, and state and federal governments with minimal ability to maneuver and reconstruct an already sick economy. The economic measures now being championed by the Liberal government in Victoria were tried at the beginning of the 1930s Great Depression. At that time, the Bank of England sent Sir Otto Niemeyer to Australia to ensure that English holders of Australian debt were paid. Niemeyer demanded balanced budgets, reduced wages, and the dismissal of public servants—precisely the same measures championed by the Kennett government.