

## Report From Germany by Rainer Apel

### Wal-Mart Has To Be Exposed—Always

*The monster of anti-unionism and brutal cost-cutting is pulling out of Germany, closing 85 stores. Good riddance!*

In January 1998, Wal-Mart sounded its trumpet in Germany, with the takeover of 21 stores of the supermarket chain Wertkauf, followed soon by another 74 stores of the Interspar chain. From the start of its engagement, Wal-Mart pursued its aggressive cost-cutting, pro-shareholder, and anti-union policies, opting for an increased share of Germany's retail store market—the biggest consumer market in Europe. “Prices will stay down—always!” (*Die Preise bleiben unten—immer!*) was Wal-Mart's Germany slogan, and there were times during which this strategy seemed to pay off, as more takeovers seemed in the making. But the company's over-ambitious managers ran a risky, high-deficit operation, and the company suffered an estimated loss of \$4.2 billion in 8.5 years of operating in Germany: At the end of July 2006, it was announced that all Wal-Mart's 85 stores in Germany would be sold to Metro, the biggest retailer in the country.

Among the first to welcome the Wal-Mart pull-out, were the labor unions. From January 1998 on, the labor union ver.di had been at war with the company's management, which refused outright to sign any collective-bargaining agreements with the union. This, and the inner-company psychoterror, including its infamous employee “ethics” code, its telephone hot-lines for anonymous denunciations to enforce company discipline, cuts of work bonuses, and so on, led to a series of lawsuits filed by the union. The union did not succeed in forcing

Wal-Mart back to collective bargaining, but the courts found that the management had to respect the contents of agreements signed by the preceding owner, Wertkauf, and they also found that a substantial part of the “ethics” requirements were in violation of the constitutional rights of all Germans to dignified, humane treatment.

A specific German reaction to Wal-Mart's strategy has been, that the company's employee denunciation and control system reminded too many consumers in eastern Germany of the political regime which they were forced to live under between 1945 and 1989. Another management obsession, to try to ban all social contacts among employees even after working hours (!), under the pretext that “romantic” relations were detrimental to the company, suffered a defeat at a district labor court in Düsseldorf, in November 2005. The court ruled that the constitutional rights of the citizens were being violated.

These legal defeats contributed to Wal-Mart's problems, but the main issue was management's obsession with conquering the non-food sector of the consumer market, whereas the main rival retailers, such as Aldi, Lidl, and Norma, occupied the food-discounting niche. Moreover, the quality of the products sold by Wal-Mart—textiles and household electronics made in China and other Asian countries—did not convince discriminating German consumers. “Consumers keep away from Wal-Mart—always!” was a counter-slogan that developed over re-

cent years. Also, media reports about slave labor conditions in Chinese sweatshops, that keep their employees working around the clock, under detention-camp-like conditions, usually provoke a very strong reaction among citizens and consumers. German industry has not outsourced as much as the United States yet, and this is still a fiercely embattled issue in the German public.

Boycotts run by labor unions against Wal-Mart's brutal discounting practices were joined by farmers, who drove their tractors for road blockades against blacklisted retailers who cooperate with Wal-Mart's policy of driving down prices below parity for milk and other farm products.

Moreover, Wal-Mart has not been much of an attraction to German investors, and the company's stocks have not done well enough to satisfy shareholders' greed; also, news from Denmark, where several months of labor union campaigns forced pension funds out of their investments at Wal-Mart in late 2004, had an impact on the investment climate in Germany.

The pullout of Wal-Mart from Germany was welcomed by the LaRouche Youth Movement internationally. In the United States, the LYM had made the company's cost-cutting and outsourcing policy, at the expense of American producers, an issue in the campaign for the 2004 Presidential elections.

The news about Wal-Mart's Germany flop will make it into Wal-Mart's stores in the United States and elsewhere, during the coming weeks, and the effect of certain improvements in labor standards in China will be felt as well. In China, trade unionists won for the Wal-Mart workforce of 30,000, mostly poorly paid girls and women, the right to elect labor work councils. *Wal-Mart has to be exposed. Always.*