

Conclusions of the IMF World Auto Council

Wolfsburg, Germany, September 26-27, 2000

The rapid pace of change in the automotive industry is continuing. The current wave of mergers, alliances and acquisitions is simply the latest phase of a process which began decades ago and which is a central element of economic globalization.

At first globalization took place primarily through trade, but later, especially in the automotive industry, increasingly by investment in production capacity. As a result, global competition increased, leading to a wave of industry restructuring, which began in North America, and which has spread to Western Europe, East Asia and even to emerging economies. In addition, an ideological emphasis on producing value for shareholders is becoming increasingly influential in the corporate world.

The principal elements of restructuring include

- modifications to the production process
- introduction of new technologies
- outsourcing of work that was formerly done in-house, i.e. a reduction of the vertical integration of the enterprise.
- the formation of "new" enterprises out of existing operations and their sale to outsiders (e.g. Delphi, and Visteon).

Although the pressures of globalization and of producing shareholder value are behind corporate restructuring, globalization also gives enterprises an important means of imposing their plans. The threat of disinvestment and plant closure, or conversely of withholding new investment is used throughout the world to pressure workers and their unions to accept changes favorable to Capital.

The consequences for workers and their trade unions continue to be extremely serious. They include

- large scale employment declines
- adjustment to continuous changes in work practices and pay systems
- intensification of work
- a weakening of the trade unions' ability to represent workers.

To meet these challenges, trade unions must respond at all levels from the workplace to the global. We must address our demands to employers and to governments. But even more important, if we expect to succeed in giving globalization a social dimension, we must strengthen our own structures -- especially at the international level.

Employers must take their social responsibilities much more seriously than in the past. It is simply inadmissible that enterprises exercise constant pressures for scaling back the regulatory and protective powers of the state without shouldering more responsibility for

- maintaining and creating employment.
- cooperating in worktime reduction and limiting of overtime.
- seeking-out new areas of productive activity and offering products that create employment and are socially and environmentally desirable.
- fairly compensating workers affected by restructuring measures and investing in training and retraining of the workforce.

In particular, employers must become more concerned about safeguarding the rights of their workers. The IMF has proposed a Model Code of Conduct for transnational enterprises, which requires

- observance of the ILO's core labor standards,
- decent pay and working conditions,
- the application of these two conditions to supplier companies.

The IMF will propose its code of minimum standards to auto industry employers and expects their cooperation in implementation.

Governments must reassert their important role as a *countervailing power* to corporate influence. Economic globalization has led to an erosion of social protections and the ability of trade unions to adequately represent the interests of workers, and this bodes ill for the health of our societies. Autoworkers need *industrial policies* that will maintain and create jobs, and adjustment assistance to enterprises and workers that are adversely affected by industry restructuring.

Deregulation of financial markets has gone too far; it is destabilizing economic fundamentals and threatens the economic health of the planet. The creation of *institutions to regulate and stabilize financial flows*, and to make them more transparent is an essential government task.

In addition, a *reform of existing international economic institutions* (World Bank, International Monetary Fund, WTO, etc.) is urgently needed along the lines of the resolution for "Worldwide Social Justice and Democratic Rights for Workers" which was approved by this world council.

Finally, it is crucial that the ruinous *competition for direct investment* be stopped. Government give-away programs and the lowering of labor and environmental standards to attract investment empties public treasuries, denies worker rights, lowers living standards and plays the workers of one region or country off against those in another.

Trade unions in the automobile industry must strengthen their structures and activities to successfully confront the challenges outlined earlier. IMF affiliates around the world are already taking steps in this direction, but, because of the increasing importance of the international level, the work of the IMF must also be reinforced. Consequently, the delegates of this 10th IMF World Council, call upon the IMF to take the following steps:

1. The IMF will develop working structures and methods that will allow us to
 - i. deal rapidly and effectively with the multitude of developments that economic globalization constantly confronts us with;
 - ii. work effectively within the emerging strategic alliances in the auto industry;
 - iii. develop mechanisms of international coordination between company-based bodies such as world councils.

The emerging auto industry alliances, which apply rationalization strategies throughout several enterprises that remain more-or-less independent, are a perfect illustration of the need for better coordination.

2. Effective communication and cooperation are preconditions for the further development of existing IMF bodies such as world councils. The emerging strategic alliances in the auto industry pose a major challenge in this respect. Consequently, we recommend that
 - i. the facilitation of communication and information exchange be given the highest priority in the IMF's auto industry work;
 - ii. the IMF promote the creation of communication and information exchange structures and working groups for the emerging auto industry alliances before the end of 2002.
3. The promotion of union building, including the organizing of auto industry facilities, is another key task for the IMF. The IMF should develop specific union building projects with the assistance of its affiliates. The organizing of currently unorganized automobile production facilities should be a particular priority.
4. Promoting respect for the ILO's core labor standards as spelled out in the IMF Model Code of Conduct is another key task for the IMF.
 - i. the IMF will work with its affiliates for the implementation of its Model Code in auto industry enterprises.
 - ii. the IMF will undertake to benchmark major auto industry employers with respect the provision of its Model Code of Conduct.

- iii. in case of grave violations of core labor standards, the IMF will, in cooperation with its affiliates, launch projects and campaigns to ensure respect for labor and trade union rights.
5. A further central task for the IMF is
 - i. to develop mechanisms for coordination of company-based structures, such as world councils, on a global level.
 - ii. to improve the functioning of existing world councils by implementing the recommendations adopted by the IMF Executive in Santiago, Chile while bearing in mind the special problems posed by the strategic auto alliances.
 6. To assist the IMF Secretariat, Executive and Central Committees with respect to Action Program implementation in the auto industry we recommend the creation of an *auto industry working group* with appropriate regional representation. Its work should include
 - i. develop a catalog of information and better means for a structured exchange of information;
 - ii. to observe and evaluate economic trends;
 - iii. development of appropriate industry-, and company-level IMF structures and projects,
 - iv. develop strategies for trade union actions and activities.