Update

Series 17

Economic 'Crisis' & Working People

▪

Impact on Real Economy

▪

'Class-war' on Working People

July 2009

Introduction

> As a matter of fact, since 1825, when the first general crisis broke out, the whole industrial and commercial world, production and exchange among all civilized peoples and their more or less barbaric hangers-on, are thrown out of joint about once every 10 years....
>
> The whole mechanism of the capitalist mode of production breaks down under the pressure of the productive forces, its own creations. It is no longer able to turn all this mass of means of production into capital. They lie fallow, and for that very reason the industrial reserve army must also lie fallow. Means of production, means of subsistence, available laborers, all the elements of production and of general wealth, are present in abundance.... On the one hand, therefore, the capitalistic mode of production stands convicted of its own incapacity to further direct these productive forces. On the other, these productive forces themselves, with increasing energy, press forward to the removal of the existing contradiction, to the abolition of their quality as capital, to the *practical recognition of their character as social production forces.*
>
> — *Frederick Engels*

"A spectre is haunting Europe—the spectre of communism."—It was written almost hundred and sixty years ago in Communist Manifesto. No such spectre is haunting Europe as well as the United States now. Communism is "buried forever". The "age of globalization" sounded the "swan-song" of the "old", "mystical" concepts of socialism and/or communism, claimed the capitalist economists, historians and all forms of lackeys of mainstream media. But, alas! It's not any "communism", or any revival of communist movements, but the abyss of capitalism itself, is now haunting the global capitalism like a spectre—spectre of crisis, spectre of Great Depression, etc.

Shattering the myth of "grandiose" advancement along the path of "endless prosperity and abundance", global capitalism has entered the "vicious cycle" of recession, depression, 'crisis'... (whatever it may be called) etc. At first it was just a warning in 2007. Then the panic gripped in 2008. And now in 2009, capitalism steps into a whirlwind of full-blown 'crisis'.

Earlier, the global capitalist leaders were not ready to accept bitter facts. Even during the panic-stricken phase of bankruptcies and foreclosures of the banks, insurance companies, and business houses in the autumn of 2008, the officials of the US government denied any economic recession. Official declaration came only after the economic conditions deteriorated further at the end of 2008. The keywords like "unprecedented crisis", "worse than the Great Depression", "biggest contraction", etc flooded the mainstream media and economic journals. Since then, global capitalist think-tanks became extremely busy in forecasting probable impacts and damages arising out of the recession and/or 'crisis'.

In December 2008, the IMF warned that "we are facing an unprecedented decline in output" and appealed to the governments of leading economics for more stimulus to the ailing economy:

> "A lot remains to be done, and if this work is not done it will be difficult to avoid a long-lasting crisis that everyone wants to avoid". (*http://globalresearch.ca/index.php?context=va&aid=11417)*

In fact, the countries like USA, UK, and China together have announced trillions of dollars of stimulus package to "rescue" the capitalists in 2008. But in January 2009, the IMF painted a grimmer outlook stating that the world economy will come to "virtual standstill" in 2009. Moreover, IMF said in its World Economic Outlook, January 2009:

> "World growth is projected to fall to **½ percent** in 2009, its lowest rate since World War II. Despite wide-ranging policy actions, financial strains remain acute, pulling down the **real economy**". *(http://www.imf.org/external/pubs/ft/weo/2009/update/01/index.htm).*

Finally, the IMF cautioned the global leaders in the following terms:

> "Comparing today's downturn to 15 recessions over the past 50 years, the IMF finds that downturns following financial crises tend to be longer-lasting, and the subsequent recovery is often weaker... When many countries are involved, plunging into recession simultaneously, downturns also tend to be longer. This time, it finds that **65%** of the world's countries are in recession—more than at any other time **since 1960**." *[16.04.09; http://www.guardian.co.uk/]*

But who will pay for this "longer-lasting" recession unprecedented "since the WWII"? Certainly the working people of the world, particularly the poor toiling people of the so-called developing countries as well as the advanced countries would bear the brunt of the 'crisis'. In January 2009, the International Labour Organisation (ILO), a wing of the United Nations (UN) predicted that on the worst, an estimated **50 million** people may **lose jobs** worldwide in the current recession *[28.01.2009, http://www.ilo.org/]*. Later another report of the ILO observed that:

- Global unemployment rates are expected to rise to up to 7.4 percent this year, which would mean another 59 million workers losing their jobs, bringing the total number of unemployed internationally to 239 million. This would be the first time on record that global unemployment has passed the 7 percent mark.
- The ranks of the world's impoverished people living on less than $2 a day may swell by nearly 200 million people this year compared to 2007. Meanwhile, the number of those barely subsisting on less than $1.25 a day is expected to increase by 53 million....
- The number of jobless youth is expected to increase by up to 17 million this year, raising the global youth unemployment rate from 12 percent in 2008 to 15 percent in 2009.
- Even in the 30 so-called developed countries that make up the OECD, half of the unemployed receive no jobless benefits. Where such benefits exist, they are frequently inadequate to meet the needs of the unemployed. In most of the so-called developing countries, there are no such benefits at all. As a result, 8 of 10 jobless workers worldwide lack any protection... *(04.06.09, www.wsws.org)*

Earlier, in November 2008, the ILO projected a squeeze in the growth of real wages of the working people due to current recession:

> 'Slow or negative economic growth, combined with highly volatile food and energy prices, **will erode the real wages** of many workers, particularly the low-wage and poorer households'... Based on the latest International Monetary Fund growth figures, the ILO forecasts that the global growth in real wages will at best reach 1.1 per cent in 2009, compared to 1.7 per cent in 2008, but wages are expected to **decline** in a large number of countries, including major economies. Overall, wage growth in industrialised countries is expected to **fall, from 0.8 per cent in 2008 to -0.5 (minus 0.5) per**

cent in 2009. *[26.11.09, http://www.rediff.com/money/2008/nov/26bcrisis-salary-cuts-lie-ahead-middle-class-to-be-hit-says-ilo.htm]*

The situation became so grave that the governments of all the US states were compelled to open **soup-kitchens** to feed the poor, jobless US people something reminiscent of the period of Great Depression of the 1930s:

> "...a record number of Americans, about 1 in 10, are receiving food stamps as their situation gets desperate. Over **32 million** Americans received food stamps in January, the third time in five months that this figure has set a new record" (*07.04.09, http://www.thetrumpet.com/index.php?q= 6091.4483.0.0)*

The situation is so desperate that thousands of US people—evicted from their mortgaged homes due to housing (or subprime) crisis—are seen to live either on cars or on sofa-sets in the streets. This condition of the working people of the USA—the leader of global capitalism—amply clarifies the alarming situations in the other half, i.e., the so-called developing and poor countries. Even the poster-boy of modern capitalism—the economy of China has been hard-hit substantially. Officially **20 million jobs** have evaporated in China following the debacle in export-orders in the USA and EU countries. Millions of migrant labour either have been forced to go back to the villages or have been waiting in the streets of cities of China in search of menial jobs. Economies of other export-led countries like South Korea, Thailand, Taiwan, Mexico, etc are also reeling under the economic downturn.

People in the countries of Africa are languishing under extreme poverty and food-scarcity. According to International Food Policy Research Institute (IFPRI), a US-based thinktank on 'food security', "food articles will be costlier by up to 27 per cent by 2020 if the global slowdown continues" *(01.12.08, www.rediff.com/money/2008/dec/]*

Though the impact of slowdown is not so much severe in India because its economy is not so much export-dependent like the above-mentioned countries, thousands of jobs have been lost in the textile and gems-jewellery sector of the economy. The concern is palpable in a report of Assocham—a leading industrial body in India:

> Indian firms are likely **to lay off a quarter of their employees** in the next 10 days... the job cuts would be across the steel, cement, construction, real estate, aviation, IT-enabled services and financial services sectors. (*29.10.08,*

http://www.expressindia.com/latest-news/india-inc-may-lay-off-25-jobs-in-10-days/378921/)

Soon after the report was published, the PM of India appealed to the industrial bosses "not to cut jobs in the light of the economic slowdown" (*04.11.08, Times of India)*. Notwithstanding this (farcical) appeal, the capitalist classes of India retrenched **6 lakh** of workers in export-led sectors of the economy (*Economic Survey, 2008-09)*.

In this scenario of vanishing of jobs, squeezing of real wages, escalation of poverty and destituteness, expansion of miseries of billions of working people, we have tried in this series of Update to find the scale of onslaught perpetrated on the working poor of the world. This series of *Update* is divided into two parts: 1) 'Crisis': Impact on Real Economy, and 2) 'Class-war' on Working People. – *Update*

Economic 'Crisis' & Working People

"Thousands of jobs have been lost in the past six months. When this happens, renters (and some homeowners) have two or three months before they get evicted. Then they may have another month or two of living in a vehicle (if they have one) or sofa surfing with friends and relatives. If they had foresight, they got on one of the waiting lists for one of the shelters, which are full..."

— Marcie Lightwood, a social worker at Trinity Episcopal Church, USA; quoted in www.globalresearch.ca/index.php?context=va&aid=12117

Impact on Real Economy

[We have noted earlier that the IMF said in its World Economic Outlook, January 2009: "Despite wide-ranging policy actions, financial strains remain acute, pulling down the **real economy**" *(http://www.imf.org/external/pubs/ft/weo/2009/update/01/index.htm)*. Concern on deceleration in real economy is frequently expressed by 'eminent' bourgeois economists from their own viewpoint. *The Economist*, one of the leading thinktanks of the global capitalism worried about 'real economy' in October 2008 as follows:

> "... the recent slump in raw-material prices and the decline in shipping costs indicate just **how far-reaching the consequences of the global financial crisis will be for the real economy.** Since the early summer the price of steel has fallen by 20-70% and the key rate for bulk shipping of commodities is down by more than four-fifths." (*15.10.08, www.economist.com/business/displayStory.cfm?story_id=12414753&source=features_box_main*)

World Bank—in a report titled as *"Global Development Finance: Charting a Global Recovery"*—narrated the fall in global industrial capitalist output resulting due to the collapse in world economy in the following way:

> The tight links between global trade in durable, capital, and high-tech goods, and the closely entwined investment spending that supports economic activity in both high-income and developing countries, can be detected in the vicious circle that now operates between the financial and **real sectors** of the global economy. The difficulty of obtaining capital, together with uncertainty about future demand, has delayed

investments and caused a collapse in demand for durable goods, resulting in a sharp contraction in the production of and global trade in manufactured goods. **World industrial production declined by an unprecedented 5 percent** in the fourth quarter of 2008 **(or 21 percent at an annualized rate).** Output continued to decline in the first quarter of 2009, reducing the level of industrial production in high-income countries by **17.3 percent** in March 2009, relative to its level a year before, and in developing countries by **2.3 percent** relative to March 2008.

The collapse in industrial production is truly global, with major producers of advanced capital goods particularly hard-hit—**Japan (34 percent**, year-on-year) as of March 2009, **Germany (22 percent),** and the **Republic of Korea (12 percent).** GDP growth in developing countries is projected to slow sharply but remain positive in 2009, moving from 5.9 percent in 2008 **to 1.2 percent.**

Nevertheless, developing countries as a whole will outperform by a sizeable margin high-income countries, whose aggregate GDP is projected to fall 4.5 percent in 2009. Two developing regions, Europe and Central Asia and Latin America and the Caribbean, are likely to end 2009 with **negative growth.** Moreover, when China and India are excluded, GDP in the remaining developing countries is projected to fall 1.6 percent or **0.6 percent in per capita terms,** a real setback for poverty reduction. *(Global Development Finance: Charting a Global Recovery, 2009, World Bank, www. worldbank.org)*

Like World Bank, several commentators illustrated the 'crisis' in 'real economy' in different way. Though many of the data presented by different sources may not collaborate with each other, we are producing these data according to their significance. Note the following excerpts. – *Update*]

US: Biggest drop in industrial output since VE Day (1945-46)

The output of the nation's factories, mines and utilities fell 1.5% in March despite higher production of motor vehicles and boost from utilities, the Federal Reserve reported Wednesday. **Industrial production is down 13.3%** since the recession began in December 2007, **the largest percentage decline since the end of World War II**. **Output fell at a 20% annual rate** in the first quarter, and is now at the same level **as December 1998.** Factory production fell 1.7% in March. Factory output has fallen 15.7%

during the recession, **also the largest decline since 1945-1946. Capacity utilization fell by a full percentage point to 69.3%, the lowest since the data series begins in 1967.** *(by Rex Nutting, 15.04.09, http://www.globalresearch.ca/; accessed 21.04.09)*

US economy: unusually bad and getting worse

Today's report on gross domestic product (GDP) growth in the first quarter of 2009 just confirms the obvious: **the United States economy is mired in a particularly steep recession.** The ***chart*** below shows the **decline** in GDP and its components compared to the average of all other recessions **since World War II**. On every indicator except government purchases the current recession **is worse than average,** and it should be noted that further declines are almost inevitable in coming quarters.

The last quarter of 2008 and the first quarter of 2009 together posted the **worst half-year of GDP performance in over 60 years.** While coming quarters may see a moderation in the pace of decline, it's clear that this recession is already a stand-out in its severity and will only get worse. *(Source: By Josh Bivens, 29.04.09, http://www.epi.org/economic_snapshots/entry/snapshots_20090429/; accessed 11.05.09)*

[*Monthly Review*, a leading Socialist journal comments on the US economy:

> The grim state of the U.S. economy in early 2009 was brought into sharp relief by economic data released at the end of April. **Industrial production** in the first quarter of this year **dropped** by an **annual rate of 20 percent,** while **manufacturing capacity utilization** (the operating rate of manufacturing plant and equipment) **sank to 65.8 percent** in March, the **lowest** level since the Federal Reserve Board series was introduced in **1948** (industrial capacity utilization as a whole is currently at **69.3 percent,** its **lowest** point since that measurement began in **1967**). So serious is the economic illness revealed by these figures that some mainstream analysts themselves are now turning from financial to production indicators and from short-term to long-term factors, in their search for explanations of the depth of the present crisis. Rather than simply representing a short-term financial shock, as was commonly supposed, there is now increasing suspicion, even among conventional economists, that the current

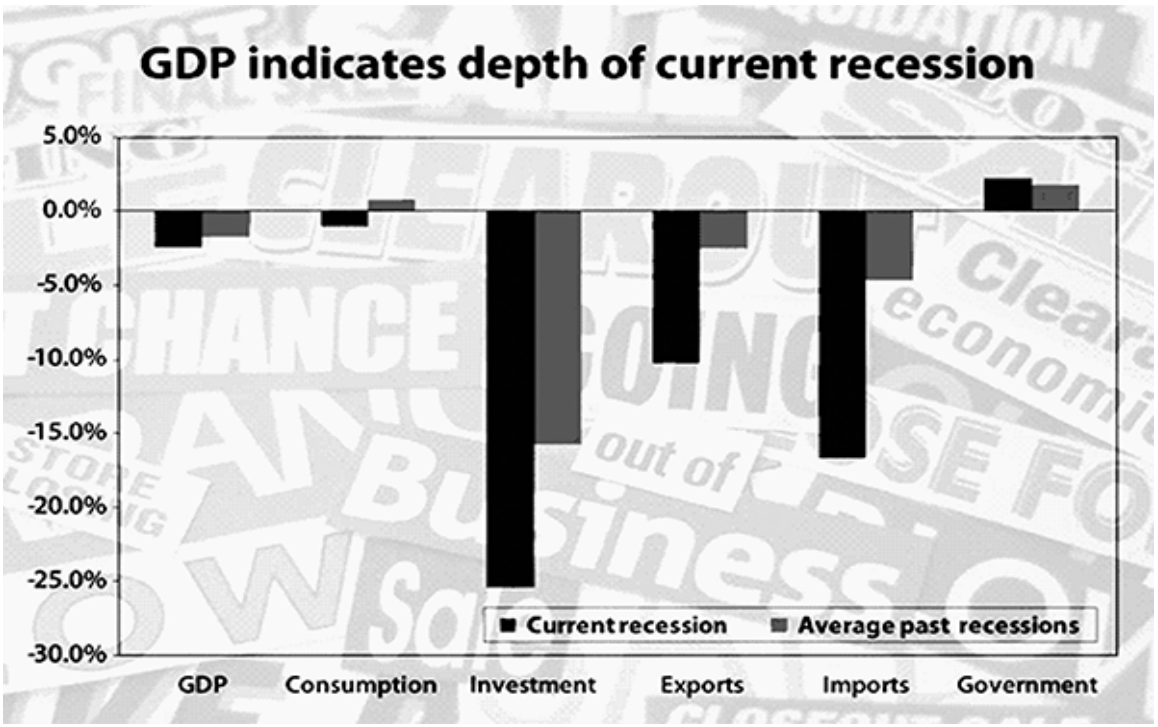
economic crisis is embedded in some way in the **real economy, raising more fundamental questions about the capital accumulation process.**

In fact, in the USA,

Capacity utilization shrank in April **to 69.1%,** a **historical low** since records began in **1967**. March capacity use was a revised 69.4%... The 1972-2008 average was 80.9%. *(15.05.09; http://econompicdata.blogspot.com/2009/05/capacity-utilization-at-lowest-level.html)*

Monthly Review observed the "tendency toward excess capital" in the US economy in an article published in April 2002. Note the excerpt. – *Update*]

Chart 1



The Tendency Toward Excess Capital

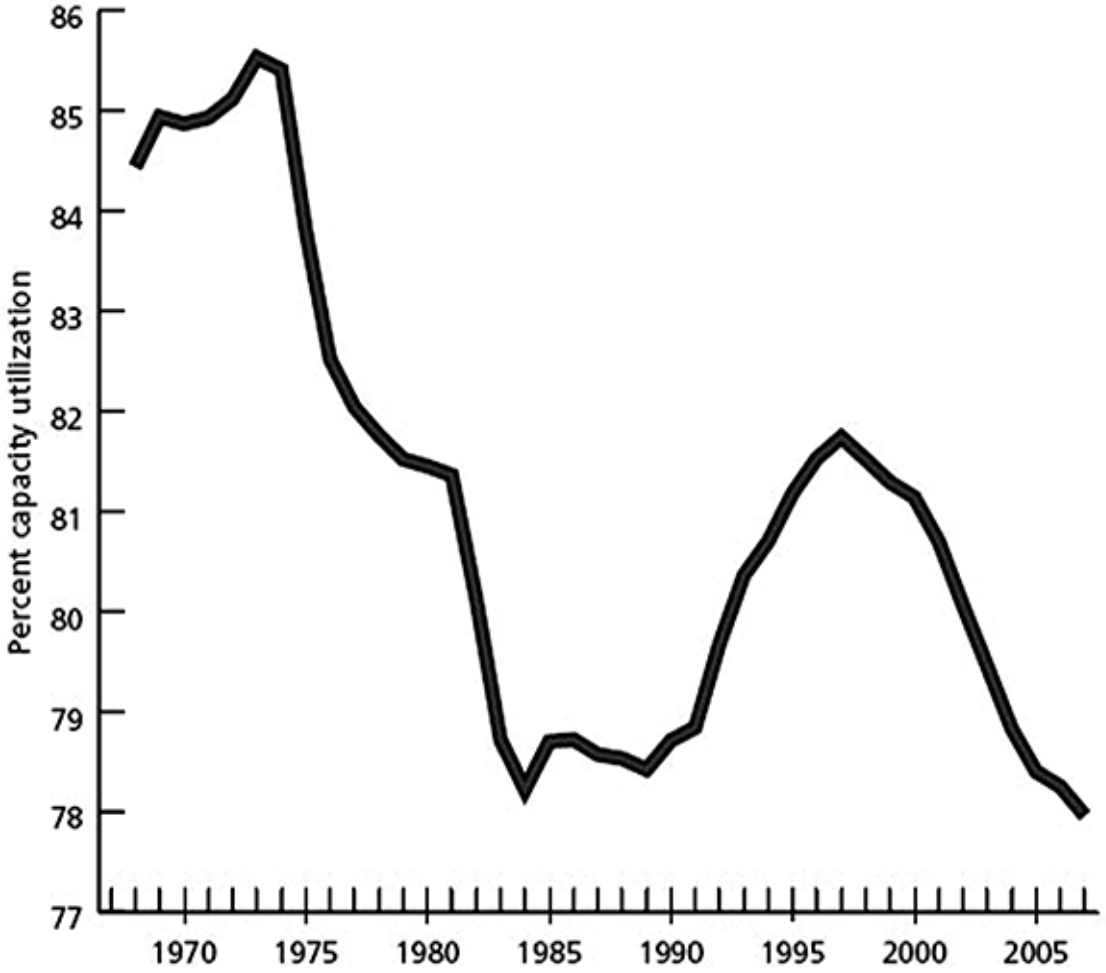
[...] During the last half of the 1990s, a number of economists indicated that the business cycle might be a thing of the past. The "New Economy" of the "Information Age" was so efficient that capitalists would make more rational decisions with more certain knowledge of current and future conditions. Nevertheless, Karl Marx's insight that "the

real barrier to capitalist production is capital itself' still holds true. One of the most common causes of economic slowdown is that the rate of investment tends to exceed the growth of final demand. The rapid growth of output needed to satisfy the brisk growth in demand and to increase market share during an economic upturn leads to the creation of excess productive capacity (idle plant and equipment). At some point the growth of demand fails to meet projections, leaving corporations with massive amounts of unused capacity and unsold inventory. Further investment is then impeded because corporations are reluctant to invest in the face of substantial excess capacity-sometimes referred to as a "capital overhang." As stated in *The Economic Report of the President, 2002,* authored by the president's Council of Economic Advisers: "A capital overhang develops when the amount of capital in the economy exceeds the amount that businesses desire for the production of goods and services. The emergence of such an overhang complicates both business planning and policymaking. Businesses often have to alter their capital spending plans and curtail their investment spending-sometimes quite abruptly".

What should be clear is that there is no real answer to this problem of **overexpansion of productive capacity under monopoly capitalism,** since capital is continually confronted with the fact that the **main barrier to investment is investment itself**. Useful as investment can be it is circumscribed by the eventual saturation of the market for its end product. The ongoing propulsion of competition and the struggle of each of the giant corporations for a greater share of the market thus turns the useful contribution of investment into its opposite. Given these circumstances, **excess capacity plays an especially prominent role in any economic slowdown under monopoly capitalism.** Large firms seeking to protect their profit margins tend to respond to a downturn **by cutting back on their capacity utilization rather than reducing prices** (as orthodox economic theory would lead one to expect).

The long-term decline in capacity utilization in manufacturing can be seen in ***chart 2,*** which presents this in terms of ten-year moving averages. During the period shown on the chart, the high point was the ten-year period 1964-1975, while the low point was 1975-84. Preliminary data indicate that 2001 saw the lowest annual level of capacity utilization (the highest level of excess capacity) since 1983.

Chart 2: Percent utilization of industrial capacity (USA)



As mentioned above, slowdowns become self-reinforcing became corporations are extremely reluctant to invest when faced with substantial amounts of excess capacity and inventories. This situation is particularly evident today in high-technology, most notably telecommunications. "Some businesses, especially in the information and communications technology sector," *The Economic Report of the President, 2002* declares, "may have overestimated the potential of the 'New Economy' and therefore overinvested in productive capacity. In addition, businesses throughout the economy

were surprised by the extent of the slowdown in aggregate demand in 2000 and 2001, and they therefore had to revise downward the path of their desired capital stock". [...] *(Source: The New Face of Capitalism: Slow Growth, Excess Capital, and a Mountain of Debt, The Editors, Monthly Review, April 2002)*

[Almost similar phenomenon would be observed in the economies of G7 countries taken together as well as in Europe. The following reports and ***Chart 3*** show that "estimated **annual average growth rates of G7 industrial output back to the late nineteenth century**" (!!). Please note the chart with caution since it does not mean 'total industrial output'. – Update]

G7 industrial slump deepest since WW2

Industrial output in the Group of Seven (G7) major economies fell an estimated **12%** between February and December last year, based on data for six of the seven countries (Canada has yet to publish for December). This is equal to the peak-to-trough decline during the 1974-75 recession [...].

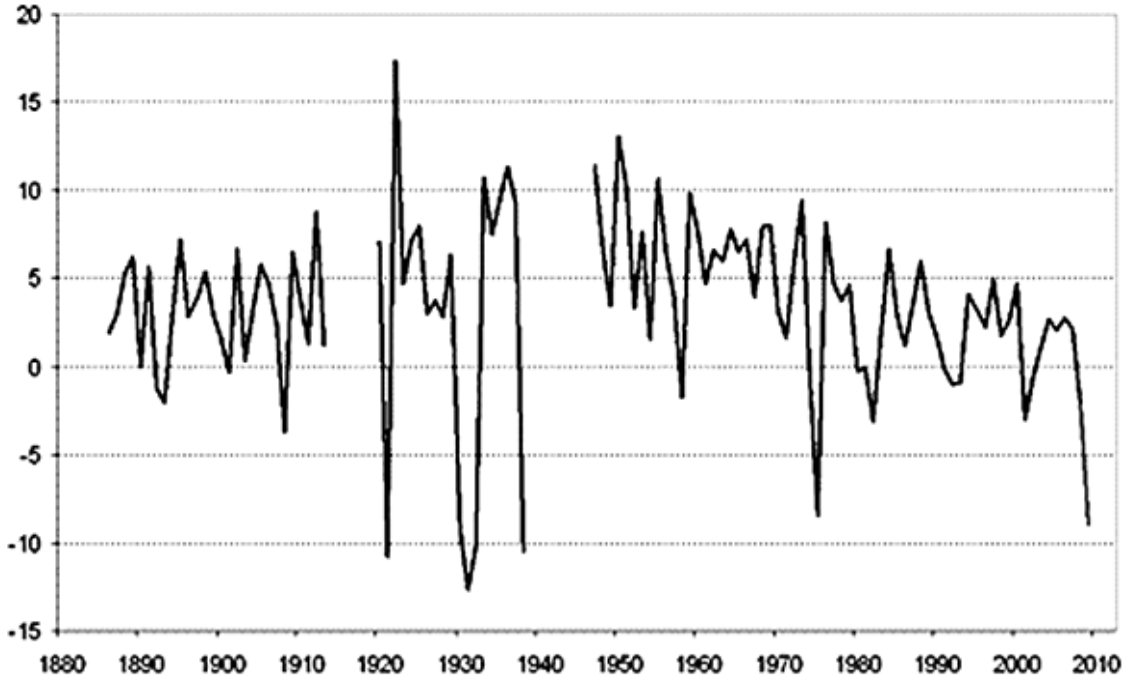
Business surveys signal a further fall in output in early 2009, implying the current G7 industrial slump will soon be the **deepest since World War 2.**

For a longer perspective, the ***chart 3*** shows estimated annual average growth rates of G7 industrial output **back to the late nineteenth century.** The underlying country statistics were assembled from various sources, including an *Economist* publication *One Hundred Years of Economic Statistics*.

If annual average G7 output in 2009 were to equal the December level, it would be 9% lower than in 2008. This would be the largest annual decline **since 1938,** when the "Roosevelt recession" in the US led to a 10% drop.

However, the current downturn would have to extend hugely in magnitude and duration to be **comparable** with the depression of the **early 1930s.** G7 industrial output plunged for three successive years—9% in 1930, 13% in 1931 and 10% in 1932. [...] *(Source: 10.02.09, www.moneymovesmarkets.com/journal/2009/2/10/g7-industrial-slump-deepest-since-ww2.html; accessed 30.04.09)*

Chart 3: G 7 industrial output (% YoY)



[According to an analyst, "Britain's economy is about suffer its **most vicious slump since 1946**" *(22.01.09, www.globalresearch.ca/)*. The economy of Europe are showing similar tendencies. Follow the next excerpt. – Update]

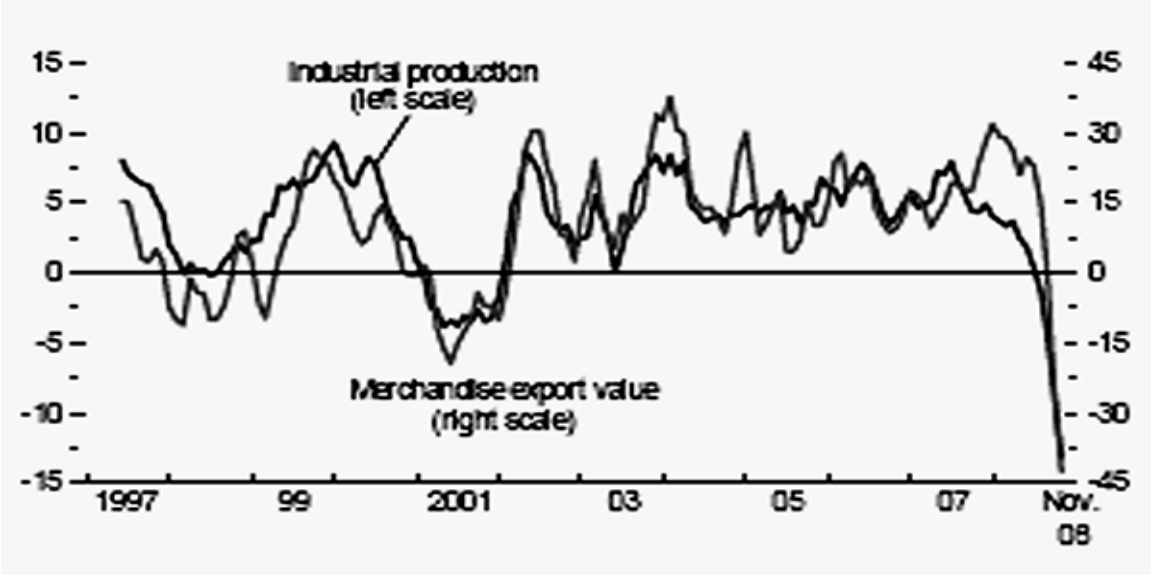
Europe Industrial Orders Drop Record 34.5% on Global Recession

European industrial orders fell the most in at least 13 years in February as the worldwide economic slump lowered demand for factory equipment and metals.

Industrial orders in the euro area **declined 34.5 percent** from the year-earlier month, after a revised 34.3 percent drop in January, the European Union's statistics office in Luxembourg said today. The February drop is the **seventh straight decline** and the **largest** since the data series began in 1996. Economists forecast a 34.8 percent decline,

according to the median of nine estimates in a Bloomberg survey. From the prior month, February orders fell 0.6 percent. [...] *(Source: 23.04.09, http://www.bloomberg.com/apps/news?pid=20601087&sid =aLc.vr5QdTGk&refer=home; accessed 30.04.09)*

Chart 4: Growth in industrial production & merchandise trade



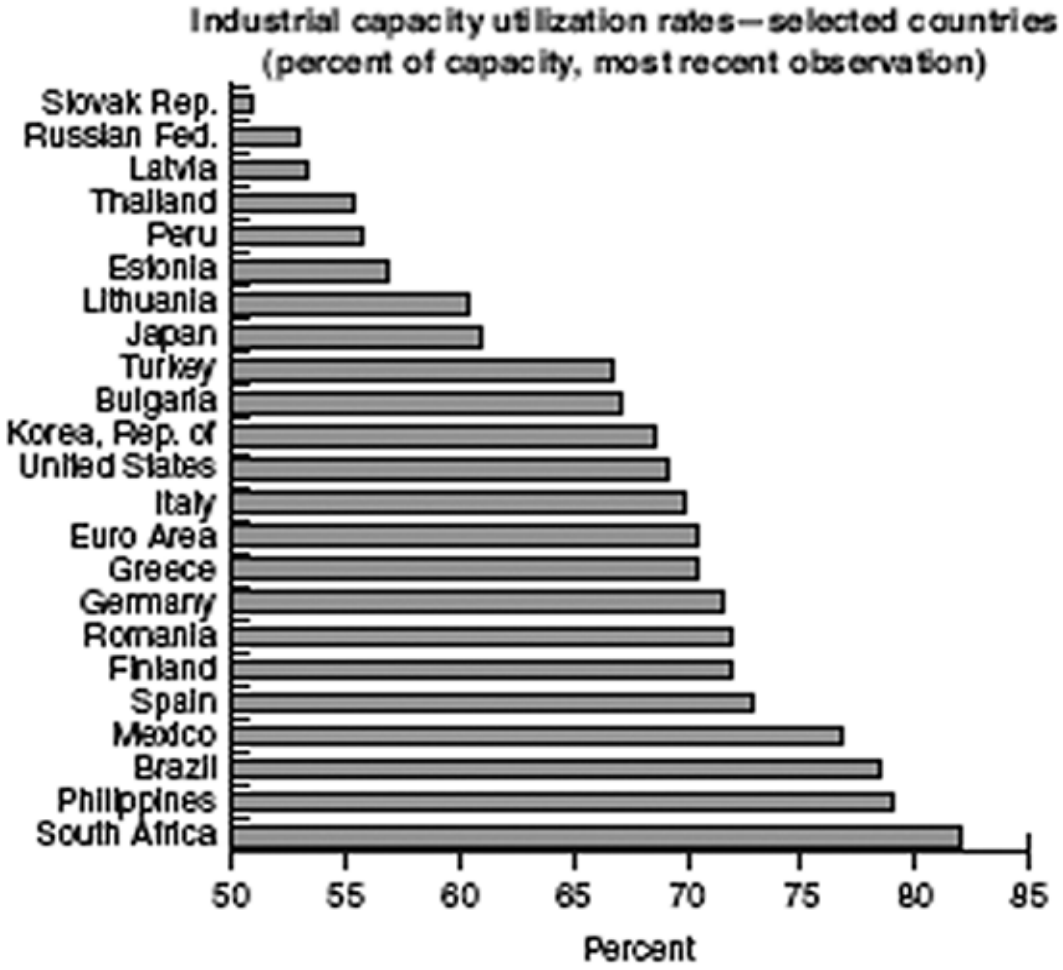
[The deceleration in industrial production and trade during 1997-2008 will be found in ***Chart 4***.

While analysing the reports on industrial slump in advanced countries, a website of Germany observed that:

"According to the OECD, by 2010, the **gap** between our current economic potential and the current output of goods and services will be **twice** as large as in the **early 1980s,** when many countries faced their most severe recession since World War II." (*29.04.09, http://www.spiegel.de/international/world/0,1518,621979-7,00.html)*

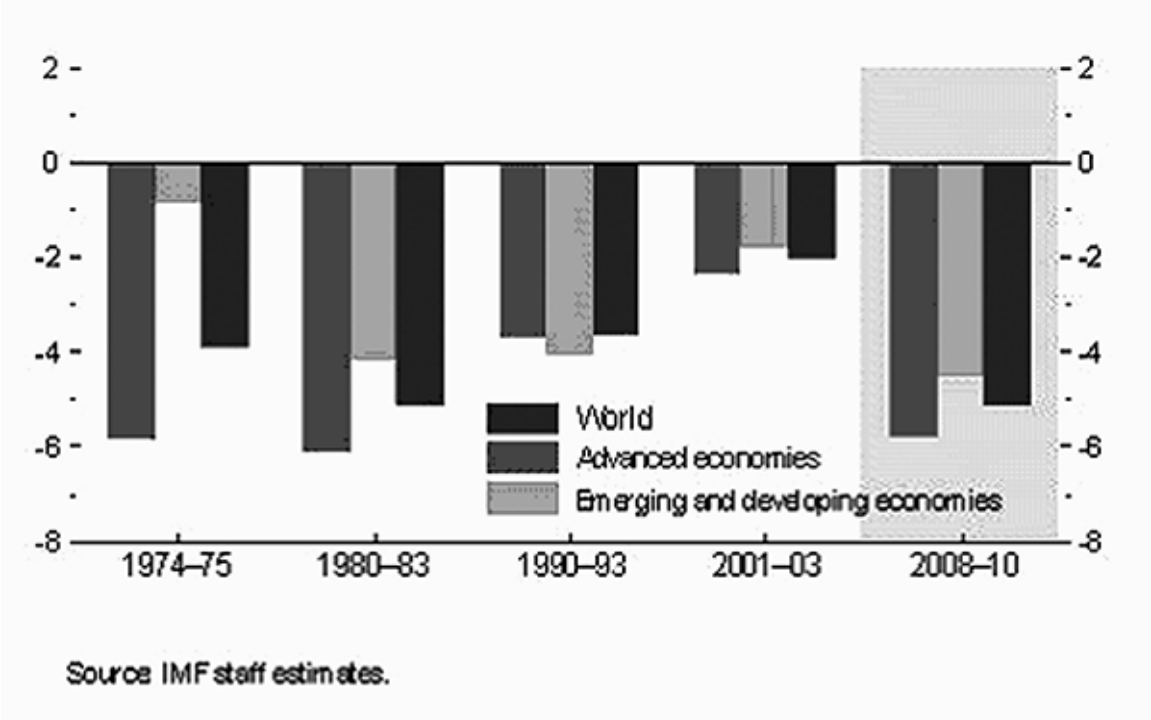
This mismatch between potential and output, i.e., the slump in capacity utilisation will be revealed from ***Chart 5***.]

Chart 5: Capacity is being underutilised throughout the world



[The IMF, a mastermind of international capitalism gave a new outlook on global recession along with new definitions. If the new indicators produced by the IMF be followed, we would get a **more acute scenario** of global recession as well as industrial decline. Note the following article (and the table in page 15) published in a blog of *Wall Street Journal.* – Update]

Chart 6: Cumulative output loss relative to potential during global downturns



What's a Global Recession?

The International Monetary Fund was slow to apply the word "recession" to the current global downturn, partly because it didn't have a good definition (and partly because it didn't want to spook markets and IMF members).

Informally, past IMF chief economists have called global growth lower than either 3% or 2.5%—depending on who was the chief economist—a recession. But that didn't pass muster with Olivier Blanchard, the IMF's current chief economist, who on Oct. 8, 2008 said "it is not useful to use the word 'recession' when the world is growing at 3%."

At that time, that was the IMF's forecast for 2009 global growth was 3%. Its latest forecast, released this morning, now forecasts a 1.3% contraction for this year. (It's been a lousy year for forecasters all over the world.)

Now, IMF economists have cranked through the numbers and come up with a more precise way to measure global recessions: a decline in real per-capita world GDP, backed up by a look at other global macroeconomic indicators. Those indicators include industrial production, trade, capital flows, oil consumption and unemployment.

By that definition, this is the fourth global recession since World War II, and deepest by a long shot. The earlier recessions were in 1975, 1982 and 1991. All were one-year recessions when measured by purchasing power parity, which the IMF favors for global comparisons. Those stats take into account the different cost of goods and services in different countries – for instance, a haircut costs a lot less in Beijing than Boston. Looking at global GDP by the more traditional method using exchange rates, the 1991 recession lasted until 1993.

In 2009, the IMF estimates per-capita GDP will decline 2.5%, using purchasing power parity, compared to a 0.4% contraction, on average, during the three previous recessions. Industrial production, trade, capital flows and oil consumption in the 2009 recession **will fall much more sharply than in the previous global recessions, while unemployment will increase more.**

What about 2010? The IMF's current forecast estimates a small per-capita GDP decline, when measured by market exchange rates, and a tiny increase when measured by purchasing power parity. By either of those measures – the IMF didn't release forecasts for the other macroeconomic indicators it used in this exercise—**the world will be hovering around recessionary territory next year too.** [see ***Table***] *(Source: By Bob Davis, 22.04.09, http://blogs.wsj.com/economics/2009/04/22/whats-a-global-recession/; accessed 30.04.09)*

[The excerpts and other data clealry show the collapsing tendencies in the 'real economy' in the advanced countries. This type of deceleration would be observed in the economies of so-called developing countries also (discussed later). But, on closer examination of the above data it would be revealed that the 'crisis' in 'real economy' is a

long-lasting, continuous phenomenon affecting the global capitalist economies since the end of 1960s. Many analysts have shown on number of occasions that the 'real economy', particularly in the USA is chronically 'stagnated' for forty years. Paul Sweezy and Harry Magdoff quoted two authors that:

> ...Without the strong pull from government demand over the last half century, the civilian economy has achieved its potential only in 1956 and 1973. Even those two years, on the basis of utilization of human resources (unemployment) criterion, were significantly inferior to 1929. *(The Irreversible Crisis, p 13, Cornerstone Publications)*

Chart 2 shows the historical tendencies of utilization of industrial capacity collaborating the facts cited above.

It is found that in the pre-recession years of 2003-04, the utilizations in industrial capacity in several countries were nowhere near the full potential:

"The average economy-wide capacity utilization rate in the US since 1967 was about 81.6% according to the Federal Reserve measure. The figure for Europe is not much different, for Japan only slightly higher.

The average utilization rate of installed productive capacity in industry, in some major areas of the world, was estimated in 2003/2004 to be as follows (rounded figures):

- United States 79.7% (April 2008, Federal Reserve measure)
- Japan 83-86% (Bank of Japan)
- European Union 82% (Bank of Spain estimate)
- Australia 81% (National Bank estimate)
- Brazil 60-80% (various sources)
- India 70% (Hindu business line)
- China perhaps 60% (various sources)
- Turkey 79.8% (September 2008, Turkish Statistical Institute)
- Canada 87% (Statistics Canada) *(Source: 07.07.09, wikipedia)*

We are now going into another aspect of the global economy, i.e., trade. We have noted earlier that along with downturn of global industrial and/goods production, the global trade—one of the lifeline of modern capitalism—has been declining in a massive scale. Trade is not only important to the advanced capitalist economies, but it is most significant with respect to the economic 'surge' in East & South-East Asian countries (China, Taiwan, Thailand, Indonesia, etc). Next excerpts show the impacts of drastic fall in exports-imports on several countries. – Update]

Table: Historical Data from IMF

Year	Per Capita Output*	Industrial Production	Total Trade	Capital Flows**	Oil Use	Jobless Rate***	Per Capita Consumption	Per Capita Investment
1975	-0.13	-1.6	-1.87`	0.56	-0.9	1.19	0.41	-2.04
1982	-0.89	-1.08	-0.69	-0.76	-2.87	1.61	-0.18	-4.72
1991	-0.18	-.0..9	4.01	-2.07	0.01	0.72	0.62	-0.15
2009#	-2.5	-6.23	-11.75	-6.18	-1.5	2.56	-1.11	-8.74
Average ('75, 82, '91)	-0.4	-2.01	0.48	-0.76	-1.25	1.18	0.28	-2.3

Notes: The 1991 recession located until 1993, using market weights; all other recesions lasted one year *PPP weghted; **Refers to change in the two year roling window average of the ratio of inflows plus outflows to GDP; ***Refers to percentage points change in the rate of unemployment.

[Source: IMF, retrieved from http://blogs.wsj.com/economics/2009/04/22/whats-a-global-recession/ on 30.04.09]

The economic crisis and the Global South

[...] This crisis hits a world economy that—for the first time in history—is truly global. Of course exports and the control of raw materials have always been important to capitalism. But up until the 1970s most capitalist production was organised nationally. Throughout the 1980s and 1990s both production and consumption began to be organised at the international scale. Today, all markets are dominated by a handful of large companies operating internationally through interconnected chains of production, subcontracting and marketing. Almost every product we consume has involved the labour of thousands of people scattered across the globe—from the production of raw material inputs, research and development (R&D), assembly, transport, marketing and financing. At one level this interconnectedness of production expresses the fact that human beings have become one social organism. At the same time, it continually runs up against a system organised for the pursuit of individual, private profit.

This interconnectedness has taken a very particular form over the last couple of decades. The world market has been structured around the consumption of the US (and, to a lesser extent, European) consumer. Goods produced in low-wage production zones such as China and India—using raw materials mostly sourced from other countries in the South—are exported to the US where they ended up in the ever expanding homes of an overly indebted consumer. Control of this global chain of production and consumption rests in the hands of large US, European and Japanese conglomerates.

This structure helped to fracture and roll-back national development projects across the globe. Coupled with the debt crisis of the 1980s, export-oriented models of development were imposed by the International Monetary Fund and other financial institutions on most countries in the South. Many of the elites of these countries bought into this development model as they gained ownership stakes in newly privatised companies and access to markets in the Global North. [...]

Falling commodity prices also demonstrate this drop-off in world trade. Copper prices, for example, have fallen 23 per cent in the past two months. Chinese consumption of the metal, critical to much industrial production, has fallen by more than half this year. ArcelorMittal, the world's largest steelmaker, stated on November 5 that its global output would decline by more than 30 per cent. The World Bank (which has consistently underestimated the severity of the current downturn) is now predicting global trade volumes to shrink for the first time since 1982.

Social dislocation

This drop in world trade will have a particularly devastating impact on those countries that have adopted "export-oriented" models of development. This model was heavily promoted by the World Bank, the International Monetary Fund (IMF) and most economists over the last couple of decades. As global demand shrinks, countries reliant on exports will be faced with collapse of their core industries and potential mass unemployment. This will place further pressure on wages as new labour reserves augment already large levels of unemployment.

Standard and Chartered estimate, for example, that **Chinese exports could tumble to "zero or even negative growth" in 2009.** JP Morgan Chase is predicting

that Chinese exports will fall 5.7 per cent for every one percent drop in global economic growth. This is not just a matter of getting by on smaller levels of still positive growth. China needs to create 17 million jobs a year in order to deal with the large numbers of farmers moving from the countryside to urban areas. This means that the country must maintain high rates of growth. Even if growth drops from 11-12% annually to 8% the country faces potentially huge social dislocation. [...] *(Source: By Adam Hanieh, 22.11.08, http://links.org.au/node/757; accessed 29.11.08)*

[John B. Foster, Editor of *Monthly Review* wrote about the sinking economy of China:

> ...For China, with exports in 2001–06 amounting to over 30 percent of GDP, and net exports close to 4 percent of GDP, the shrinking of markets in the United States, Europe, and Japan constitutes a serious threat. China currently is experiencing the **sharpest deceleration in economic growth in thirty years.** Chinese exports have dropped, auto sales have plummeted, and jobs are shrinking in the cities. House prices are now falling in major urban areas and there is a drastic decline in real estate investment, which spells a much bigger financial crisis. Millions of China's "floating population" of migrant workers who fueled industrialization are unemployed and are returning to rural areas. The sharp drop in economic growth and looming signs of deflation in China, it is feared, **will pull world economic growth down to close to zero**.... *(A Failed System, Monthly Review, March 2009)*

Another leading business media reports:

> "China's economy probably grew at the **slowest pace in almost 10 years** in the first quarter, marking the trough of a slump brought on by a collapse in exports amid a global recession. *(14.04.09, www.bloomberg.com/)*

Note the following excerpts narrating the slump in the export-dependent economies of Asia including China, the so-called "workshop of the world". – Update]

The end of Asia's 'export-led' development has begun

The world economy is experiencing its worst crisis since the Great Depression. Asia, the continent with world's highest growth rate for almost 40 years, is not immune from the crisis.

There was a time not too long ago when pundits and policy makers were contemplating the gravity of the arrival of an "Asian Century." In a February 2008 article appearing in Los Angeles Times, Kishore Mahbubani, author of "The New Asian Hemisphere," declared confidently, "We are entering a new era of world history: the end of Western domination and the arrival of the Asian century. The G-8 represents a sunset process. Let us focus on the new sunrise organizations in Asia."

That was then, this is now. As David Pilling of Financial Times tells, "Pick a number, any number. For Asia, they are all likely to be bad. The whole Asia is in trouble. All over the region, particularly in manufacturing-heavy southeast and northeast Asia, government statisticians have been summoning up evil-eye numbers."

All "Asian Tigers"— Singapore, South Korea, Hong Kong and Taiwan—are facing serious downturns. "**Singapore,** the canary in the coalmine of global trade because of its open economy, could contract by up to 5 percent this year in what would be the **deepest recession since the city-state's birth in 1965.** IMF is predicting a 4 percent contraction in South Korea," reports Financial Times. And Hong Kong's economy will contract more than 3 percent in 2009 and slipped into its first recession since the 2003 SARS epidemic, reports Goldman Sachs.

Nor is China immune from unnerving statistics. Chinese exports dropped more than 25 percent in the first quarter of the year. More than 70,000 factories have been closed down. **More than 20 million workers, or 15 percent of the total Chinese labor force, had lost their jobs as export-oriented factories shut their gates.** A majority of China's top 50 companies, also the ones most exposed to international trade, have seen a string of losses.

Across Asia, IMF puts the region's growth in 2009 **at only 2.7 percent**; a fraction of the 9 percent growth achieved in 2007 and one percentage point **lower even than** Asia managed during its own, self-inflicted, financial crisis 12 years ago.

The speed and gravity of Asia's plunge has stunned even the pessimists. Why is Asia falling so hard so fast?

The short answer is export. According to Credit Suisse, **exports** account for as much as **two-thirds of GDP in Hong Kong** and **Singapore, almost half** of the output of

Malaysia and **Thailand** and **one-third for South Korea and Taiwan.** As a result, "the region has grown spectacularly on the back of exports," says David Pilling, "but the 'bad side of the coin' is that this makes it vulnerable. The upshot was that Asia swapped dependence on external financing for dependence on external demand."

In the long run, the collapse of Asia's export-led development model means more than a "cyclical shock" to Asian economies. [...]

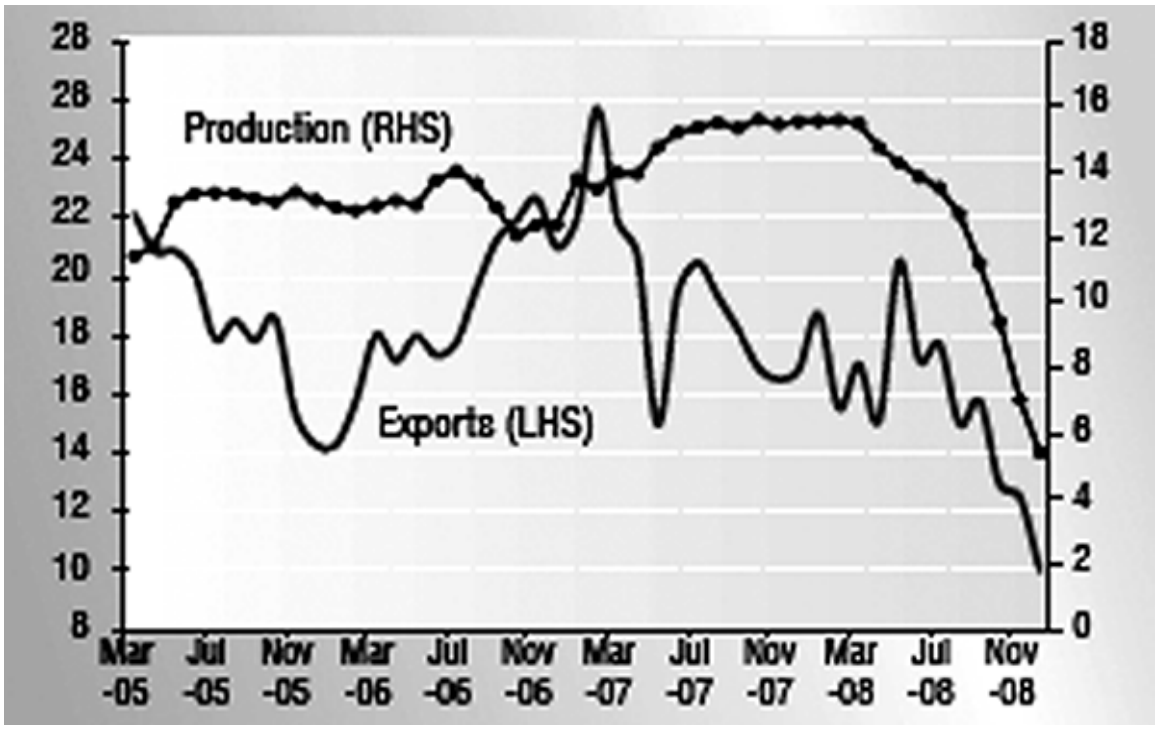
For almost four decades, the cutting edge of Asian economy has been Export-Oriented Industrialization. The success of Asia's export-driven economies made the world to believe that EOI was the wave of the future. However, "as goods pile up in wharves from Bangkok to Shanghai, and workers are laid off in record numbers," said Walden Bello of University of the Philippines. "People in Asia are beginning to realize they aren't only experiencing an economic downturn but living through the end of an era."

Economically, Asia's export-led development finally might have outlived its usefulness. "China and others," warns Clyde Prestowitz of the Economic Strategy Institute, "will have to engineer a massive rebalancing of their economies towards domestic-led growth. In the best possible world, Chinese consumption would rise by exactly the same amount as U.S. consumption drops. But given that the U.S. economy is more than three times the size of China's, the magnitude of such an adjustment is likely to be beyond it." [...] *(Source: 14.04.09, http://www.lancastereaglegazette.com/article 20090414/OPINION02/904140327; accessed 01.05.09)*

[But, would it be the "end of Asia's export-led development"? This is a wild idea of course. We have known many 'crises' happened in the last century. After each of the 'crises' (or "business cycle"—in bourgeois economics), the production and exchange gradually began to move, expand and again have taken a path of growth—though more anaemic than before. In fact, the 'crisis' in the 'real economy' would show identical results. After rebounding (only if it rebounds), the real economy would move again—but not at the full motion. After each crisis, it has been seen that the capitalist economy, production, exchange, etc would show more and more inherent contradictions, and problems. Only the escalation of class struggle—under certain conditions—would resolve these inherent contradictions of capitalist economy. At this moment, though sporadic, and sometimes violent struggles of the working people are breaking in a few countries, in absence of a

matured international working class movement—striving to change the existing rotten system—is not observed. In the following excerpt World Bank analysed the impact of recession on the east and south-east Asian countries. – Update]

Chart 7: The decline in exports led the slowdown in industrial production (% change, 3 months moving average)



Battling the forces of global recession

While dealing with the financial turmoil in late 2008, the countries of East Asia and the Pacific were hit hard by the contraction in global demand. [...]

Industrial production has led the decline

The collapse in global demand, combined with weakening domestic sales, has caused industrial production to fall sharply in most countries since the middle of last year. For the region as a whole, **production fell about 6.5 percent** from a year earlier in January, with declines the **largest** among the **NIEs and the middle-income**

countries that **depended to a greater extent on export-driven manufacturing** or that are tightly integrated into global production chains. Producers and exporters of electronics, garments and textiles have been hit the hardest.

The declines in industrial production were led by the collapse in export orders and exports. Some companies (to a large extent those that are not integrated into global production chains and responded more slowly to market signals) were caught off guard by the decline in shipments, which led to an involuntary and rather moderate increase in inventories of manufactured products after the middle of 2008. Inventories of manufactured products, including steel, that piled up after midyear contrasted to a buildup of inventories of raw materials in early 2008, as companies sought to limit costs amid the surge of commodity prices. In the Philippines, for example, inventories have risen for six consecutive quarters, with the increase equivalent to 0.6 percent of GDP in 2008. The increase was 1.2 percent of GDP in Thailand, or half the annual real GDP growth rate. In China, by contrast, companies appear to have begun cutting inventories more aggressively since November. All in all, across the region, companies have responded to the slowdown in exports and domestic shipments **by reducing production and capacity utilization,** in many cases **closing facilities and shedding labor.** In **Thailand, the utilization rate declined to 57 percent** in January and **compares with an all-time low of 54.6 percent** reached during the 1997-98 Asian financial crisis—when the share of industry in GDP was substantially smaller than today.

Prospering by exports, contracting by exports

Exports have collapsed in line with weaker global demand and amid the integration of the countries of East Asia into global product markets and production networks. Negative developments were capped by oversized declines in January ranging from 40 percent year-on-year in Taiwan (China) and the Philippines to 30 percent in Cambodia and 20 percent in China, contractions larger than in many other countries in the world. Demand outside the region appears to have fallen most sharply in Japan and the U.S., although the recent steep slowdown in the EU—the region's largest export market—does not bode well for exports as well. Intra-regional trade has also fallen sharply, as the collapse in shipments from China to countries outside Asia has triggered a decline in

exports from the NIEs and some ASEAN countries plugged into global production sharing networks.

The contraction in the region's exports has been broad-based across countries and product categories. Countries that are heavily dependent on electronics have been the worst affected (notably the NIEs, Philippines, and Malaysia, but also China), followed by commodity exporters (notably Indonesia, Lao, Malaysia, Mongolia, PNG and Vietnam), exporters of capital equipment (all NIEs) and the garment manufacturers. Among the latter group, Cambodia is the worst affected, given that garments with very low domestic value added account for **80 percent of the country's exports and most are shipped to a single market, the U.S. Exposure** to a single market is very pronounced for the electronics manufacturers as well, with most of them **heavily dependent on shipments to the U.S.** or for assembly in China ultimately destined for the U.S. or Europe.

Three broad product groups account for **about half** of East Asia's exports: electronics, oil and garments. **China** accounts for the **largest share** of the region's exports in each of the three sub-categories of electronics and garments, although the share of these products in China's exports is smaller than in several other countries. This diversification of China's exports by product groups has helped limit the pace of decline in the country's exports.

Electronics, which account for a **fourth to two-thirds** of the exports of each of the largest countries in developing East Asia except Indonesia, have been **declining at double digits** since October. The largest declines have been among the countries with semiconductor exports, notably Taiwan (China), Korea, Singapore and the Philippines, all with declines of 43 percent or more year-on-year in December and January. The government of Taiwan (China), the country with the largest exports of memory chips in the world, is using the crisis to forge a consolidation of the six company industry.

[...] China and Hong Kong (SAR, China) account for almost three-fourths of the region's garment exports, and China appears to be gaining market share—within a decreasing envelope of U.S. and European imports—at the expense of the smaller producers. Garment manufacturers in some of the smaller countries in the region have reportedly been constrained by expensive electricity and inadequate infrastructure and,

in some, by lack of domestic fabrics producers that leaves them dependent on imports. Chinese producers appear to have been taking advantage of these factors with greater success during the current downturn. While China is the largest producer and exporter, Cambodia is the country most dependent on garment exports, with Vietnam a distant second. Cambodia's garment exports fell sharply in January by 31 percent year-on-year and producers report a 20-40 percent drop in orders. The decline in shipments was half as much in Vietnam, while China and Hong Kong (SAR, China) continue to report increasing shipments. *(Source: East Asia and Pacific Update, April 2009, World Bank, www. siteresources.worldbank.org/, accessed 20.05.09)*

Table 1: The Global Outlook in summary (% change from previous year)

Global Conditions	**2007**	**2008**	**2009[e]**
World Trade Volume	7.5	3.7	-9.7
Commodity prices (US $)			
Non-oil commodities	17.1	21.0	-30.2
oil prices	10.6	36.4	-42.7
Manufactures unit export value	5.5	7.5	1.9
Real GDP growth			
World	3.8	1.9	-2.9
OECD countries	2.5	0.6	-4.2
Euro Area	2.7	0.6	-4.5
Japan	2.3	-0.7	-6.8
USA	2.0	1.1	-3.0
Developing countries	8.1	5.9	1.2
East Asia & Pacific	11.4	8.0	5.0
China	13.0	9.0	6.5
Europe & central Asia	6.9	4.0	-4.7
Russia	8.1	5.6	-7.5
Latin America & the Caribbean	5.8	4.2	-2.2
Brazil	5.7	5.1	-1.1
Mexico	3.3	1.4	-5.8
Middle East & North Africa	5.4	6.0	3.1
South Asia	8.4	6.1	4.6
India	9.0	6.1	5.1
Sub-Saharan Africa	6.2	4.8	1.0
Developing Countries			
Excluding China & India	6.1	4.5	-1.6

e = estimate

(Source: Global Development Finance: Charting a Global Recovery, World Bank, www.worldbank.org)

Chart 8: Export Growth: US, Eurozone, Japan (% change, 3 months/3 months, seasonaly adjusted annualized)

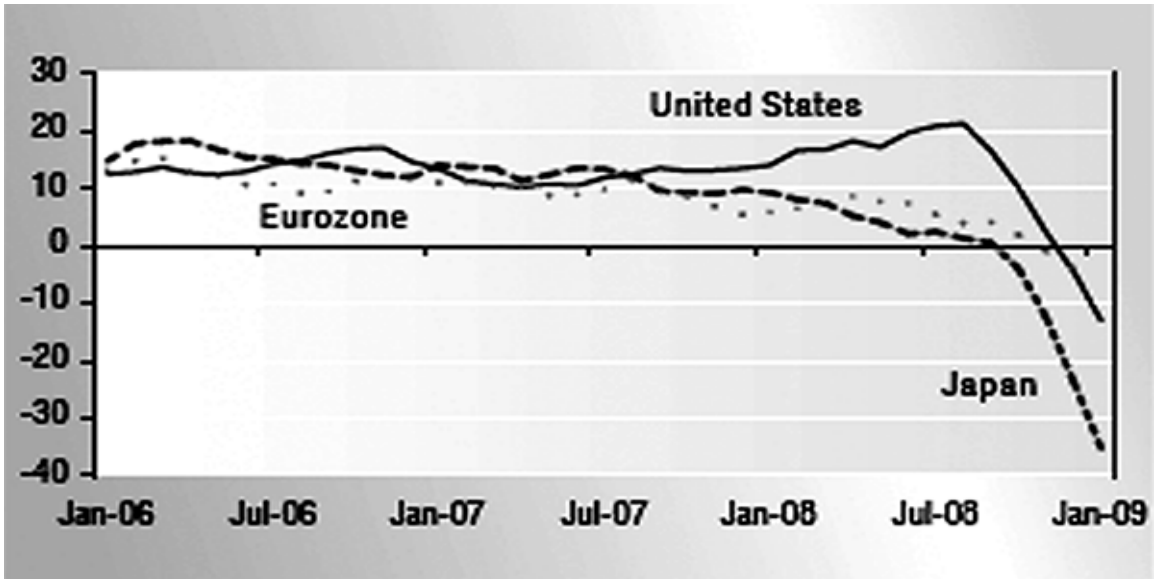
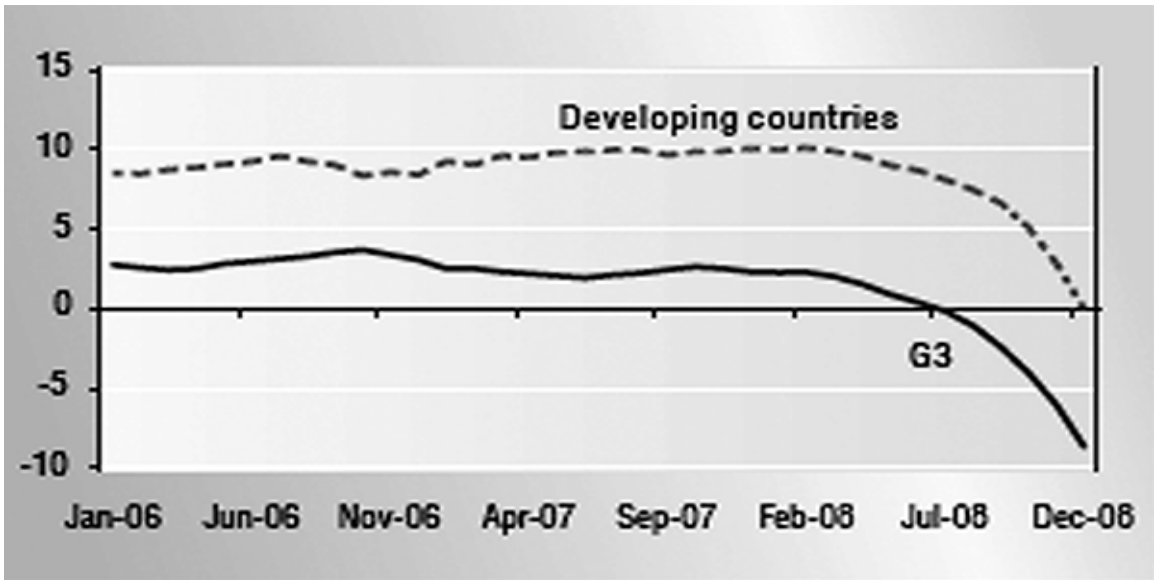


Chart 9: Industrial production is contracting (3 months/3 months, seasonaly adjusted annualized)



[The economies of the Latin American countries are also facing downturn due to global recession. The economy of Mexico, heavily dependent on the exports to the USA is in the grip of severe slowdown— "most since 1932":

Mexico's economy will contract this year by the **most since 1932** as a slump in the U.S. curbs demand for exports and slows dollar flows from tourism and remittances, Goldman Sachs Group Inc. said.

Gross domestic product will tumble 8.5 percent this year, Paulo Leme, chief Latin America economist at Goldman Sachs in Miami, wrote in an e-mailed report today. That would be the **biggest decline in GDP in 77 years,** according to the nation's statistics agency. Goldman Sachs previously forecast Mexico's economy would shrink 4.8 percent in 2009.... **The U.S. is Mexico's biggest trading partner, buying about 80 percent of Mexican exports.** (*29.05.09, www.bloomberg.com/apps/news?pid=20601087&sid=aPaQAdI3bmuo&refer=home)*

Note the next excerpt for a brief scenario of Latin Amderican recession. – Update]

Table 2: Export Volumes & Production plummet into early 2009

	Export volume growth (%)		**Industrial production growth (%)**	
	2008	2009 (y-o-y)	2008	2009 (y-o-y)
World	4.5	-24.1	0.5	-12.8
High Income	1.7	-24.3	-1.9	-17.6
USA	6.0	-16.2	-2.2	-12.5
Japan	-1.6	-36.0	-3.2	-34.0
Germany	1.1	-22.6	0.0	-21.7
All Developing	5.0	-22.5	6.2	-2.5
East Asia & Pacific	4.8	-25.0	11.2	4.6
China	14.6	-22.7	13.0	7.4
Europe & Central Asia	1.7	-32.0	0.7	-14.0
Russia	0.0	-38.0	2.3	-16.8
Latin America & Caribbean	-7.0	-11.0	1.0	-10.2
Brazil	-2.1	-29.0	2.9	-13.3
Middle East & N. Africa	6.5	-3.5	3.6	-0.5
South Asia	10.4	-23.7	4.1	-4.4
Sub-Saharan Africa	7.1	-5.0	1.0	-4.5

(Source: Global Development Finance: Charting a Global Recovery, World Bank, www.worldbank.org)

Latin America Hit Hard by World Crisis

Capital Economics—a leading macroeconomics research and consultancy firm that supplies analysis to institutional investors and clients across the globe—reports in its latest Latin America Chart Book that "Latin America's five-year economic boom has come to an abrupt end."

"The drop in demand for the region's exports, in addition to the bursting of the commodity price bubble, caused industrial production to contract by as much as 18 percent year-to-year in some countries during January," the report by the London-based firm states. "Central banks across the region have cut interest rates aggressively in reaction to the dire economic figures. As the world's economy collapses, Latin America will find it impossible to avoid recession, and in some cases default."

The bleak figures cited by Capital Economics stand in stark contrast to the rosy picture painted by financial analysts not so long ago. As recently as last summer, many Latin American countries recorded solid performances, fueled by the commodities boom of early 2008. For example, wheat, so vital for Argentina, hit a record $12 per bushel in March; copper reached over $4 per pound, benefiting Chile and Peru; and oil's $148 per barrel in July was filling the state coffers in Venezuela, Mexico and to a lesser extent Ecuador.

This short-lived commodities bubble led to financial firms presenting the region as the next place in the world to invest, trying to attract money exiting the mortgage markets as the US housing bubble collapsed under its own weight.

Within six months, the situation had been completely reversed. Commodity prices suffered a free-fall. A bushel of wheat dropped 65 percent to $5.30; copper at $1.73 per pound registered more than a 50 percent loss; and oil's $45 per barrel recorded a staggering 70 percent decline. The drop in commodity prices led all major Latin American economies to contract, with unemployment rising and the specter of sovereign default that haunted Latin America for most of its history threatening a comeback. [...]

"Brazil's economy fell off the cliff," according to the report, having contracted 3.6 percent quarter-to-quarter by the end of 2008. It represented **"the sharpest drop of GDP in nearly 18 years**... Consumption and gross fixed capital formation shrank by 2

and 10 percent quarter-to-quarter respectively," and **"manufacturing output shrank by 17 percent year-to-year in January."** The drop in consumption is significant because Brazil, unlike its neighbors, developed a strong domestic market that plays a significant role in its economic development. [...]

Mexico's exports ballooned in the past two decades, mainly as a result of trade with the US, its main trading partner, with whom it has a free-trade agreement in place. This helped Mexico become the 13th largest economy on the planet. Today, the same forces that propelled Mexico into surpassing Australia and South Korea in GDP ($1 trillion, IMF figure) have gone into reverse.

The US recession "caused exports to shrink by 20 percent year-to-year in December. This has had a negative knock-on effect in the rest of the economy. Industrial production shrank by 8 percent year-to-year in December, while retail sales contracted by 6 percent year-to-year," according to the report. [...]

In Argentina, "The drastic drop in retail sales growth, which fell to 8 percent year-to-year in the fourth quarter from 14 percent in the previous quarter, hints that a sharp fall in consumption growth is likely to take place this year," the research firm reports. **"Industrial production shrank by 11 percent in January,"** it adds.

"To make matters worse," continues the report, "Argentina, one of the world's largest producers of soft commodities, has been hit by the bursting of the commodity price bubble. Indeed, since September the price of soy beans and corn have fallen by around 40 percent, while the price of wheat has dropped by 20 percent. In addition, the country faces its worst drought in more than 70 years.

"The combination of these elements has already caused **exports to contract by 25 percent** year-to-year to $4.3 billion in December. But exports are likely to fall further," warns Capital Economics, "turning last quarter's $2.9 billion trade surplus into a deficit this year. The deterioration of the trade balance and the rise in investor risk aversion caused the peso to fall by 10 percent against the dollar in February." [...]

Having lost billions of dollars in oil revenues, Venezuela is expected to enter a recession this year. Though the economy expanded in 2008 by 4.8 percent year-to-year, with most of this expansion taking place in the first half, "Venezuela has been heavily

affected by the **collapse of oil prices and by a sharp fall in oil production,"** according to the chart book.

The report continues, "Non-oil exports fell by around 70 percent in 2008... Domestic vehicle sales contracted by 55 percent year-to-year in January," and manufacturing output had already started to shrink by the end of 2008.

[...] On the other hand, inflation remains high at 30 percent with "food prices growing by 44 percent in January." [...]

The Colombian economy fell prey to **collapsing commodity prices,** which **"account for 50 percent of total exports." Industrial production also shrank "by 10 percent** year-to-year in December." As a result of these factors, firms have started to cut their workforces, which is having an impact on domestic demand. Capital Economics reports that "Retail sales fell by 2.6 percent year-to-year in December." [...]

The Latin American situation looks so gloomy that not even Chile, land of the supposed economic miracle, will be spared. Capital Economics reports that **copper exports fell by 50 percent** year-to-year in December. This had a "negative knock-on effect on the manufacturing industry, which contracted by 3.5 percent year-to-year in the last quarter of 2008."

The report points out that, "In response, the unemployment rate rebounded to 8 percent by end-of-2008 after having dropped to almost 6 percent in 2007. [...]

Peru's GDP grew by 6.7 percent year-to-year in the last quarter of last year, mainly due to domestic demand. But the GDP's growth rate is beginning to decline. "Indeed, the global recession began to take its toll on Peru's economy via **exports,** which **shrank by 37 percent** year-to-year in January," the report states.

"Accordingly, the growth rate of industrial output halved to 3.3 percent year-to-year during last quarter. As a consequence, the unemployment rate jumped to **10 percent** in January after having fallen to 7 percent in December of 2007," reports Capital Economics. [...]

The last country covered by the Latin America Chart Book is Ecuador. The poorest of them all (it ranks 67 with a GPD of $45 billion, according to IMF figures), Ecuador

depends heavily on oil exports for public spending. **Oil revenues shrank by 37 percent,** and **industrial exports contracted by 17 percent** by year-end 2008. **GDP is expected to contract by 10 percent and unemployment stands at 8.5 percent.** [...] *(Source: By Luis Arce, 18.03.09, www.countercurrents.org/; accessed 19.03.09)*

‘Class-war’ on Working People

One after another, once-bustling factories are falling silent and closing their doors while unsold consignments of toys rot in the autumn rains. Businessmen travelling in the southern Chinese provinces say that entire industrial estates have turned into ghost towns as thousands of migrant workers who have lost jobs head back to the countryside.

The crisis among toymakers is the first visible evidence of the country’s rapid economic slowdown. “China’s economy relies highly on external markets,” said Li Chao, spokesman for the People’s Bank of China. “Recently China’s exports have weakened as a result of weak world demand.” The government said 3,631 toy factories, or about half the industry, has closed down this year.

— 02.11.08, http://business.timesonline.co.uk/tol/business/economics/article5061765.ece

[The present ‘crisis’ have escalated violent aggressions from the part of global capital on the working poor of the world. It has been doing so in all the crises that happened before: sacking workers, increasing unemployment, reducing wages, curtailing benefits, pauperising and marginalising more and more people all over the world. At first, the capitalist and financial magnates, particularly in the countries like USA & UK, had ‘toxicated’ the economy with huge amount of credit to inflate the consumer demands like houses, cars, credit cards, etc. Thus the working people of these countries were made indebted with trillions of dollars. These bubble of financial credit was bound to bust. And it did bust, plunging thousands of thousands of workers into the abyss of poverty, homelessness. Following figures would measure the extent of downfall:

Today, US households spend more of their disposable income **to pay off debts (14 percent) than to buy foods (13 percent).** In the US, household indebtedness rose from 50 percent of GDP in 1980 to 71 percent in 2000 **to 100 percent in 2007**....

Between mid-2000 and 2004, American households took on **three trillion dollars in mortgages**. Where did this money come from? During the same period, the US government, as well as the private sector, borrowed from the rest of the world three trillion dollars. Between a third and a half of mortgages were financed with foreign money. The total American debt, which is the debt of individual households, private business, and government, has doubled as a proportion of GDP since 1980, and was **350**

percent of GDP even before the recent dramatic takeovers of new debt by the government. *(15.02.09, www.globalresearch.ca/index.php?context=va&aid =12283)*

The US & UK governments have declared stimulus packages for their ailing economies providing trillions of dollars making an all-time record. Obviously, the coffers of dollars are not intended to rescue the working people, but to bail-out the capitalists and financial magnates. Even the countries like China & India have allocated **3.6% & 3.5% of the GDP** respectively to bail out the capitalist bosses.

After the initial shock, came the global waves of job-cuts. So severe is the onslaught that the joblessness is sky-rocketing in all the countries of the world battering many past records. In a recently published report, the UN states that:

> The deepening of the global financial crisis entails a heavy toll on employment worldwide. A rapid rise in the unemployment has been witnessed since 2008 and is expected to worsen in 2009-2010. Initial projections put the rise in unemployment at **50 million** over the next two years, but as the situation continues to deteriorate, **this number could easily double.** Higher unemployment rates may persist for some time. Lessons from past financial crises indicate that it typically takes four to five years for unemployment rates to return to pre-crisis levels after economic recovery has set in. This is because massive rises in long-term unemployment and greater labour market "informalization"—exacerbated by return migrants and large-scale reverse migration from urban to rural areas—are very difficult to reverse. If these trends take root, the negative effects of the crisis **will be long-lasting**. Since global recovery should not be expected before the end of 2009, and will be weak, at best, in 2010, most countries will need to achieve strong growth acceleration during 2011-2015 to offset the job destruction and displacement of workers caused by the crisis. *(World Economic Situation and Prospects 2009, United Nations)*

An economic think-tank of the USA found that:

> The unemployment rate for men (in the USA) rose to **10.0 percent**, just 0.1 percentage points below its all-time high in December of **1982,** the highest on record **since World War II**. *(02.07.09, www.cepr.net)*

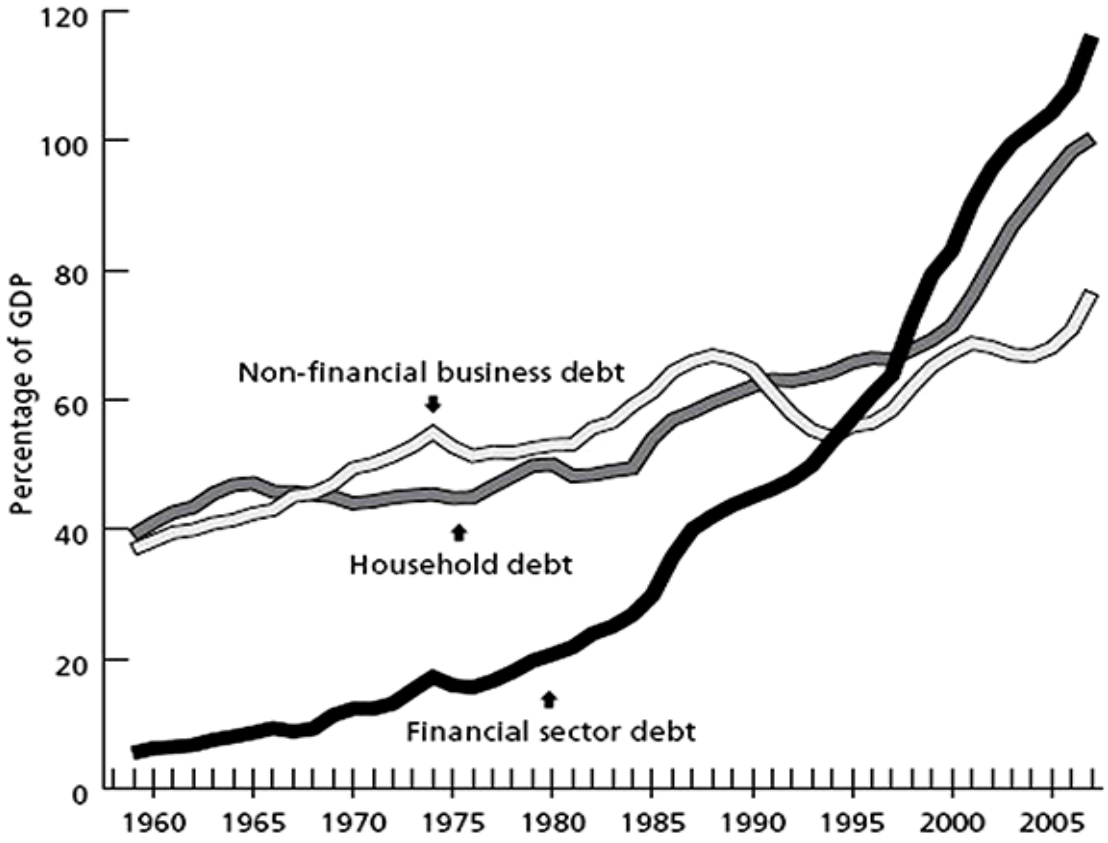
And,

...[U)nemployment in the UK has soared to a **12-year high** of 2.26 million after a record number of people lost their jobs... **(O)ne job lost every 30 seconds**... *(19.06.09, http://www.mid-day.com/opinion/2009/jun/190609-Unemployment-job-losses-Britishers-edgy-Labour.htm)*

In EU zone, comprising several advanced countries:

The unemployment rate in the eurozone **rose to 9.2%** from 8.9% in March, the **highest** rate **since September 1999**, the Eurostat data agency said. Unemployment in the wider 27-member European Union (EU) **rose to 8.6%** in April from 8.4% the previous month. Eurostat estimates that **20.8m** people in the EU were unemployed in April. This was an increase of 556,000 from March's figure. The number of people out of work in the eurozone increased by 396,000 to 14.58m. In April, **Spain** had the **highest** unemployment rate of any country in the EU at **18.1%**, followed by Latvia (17.4%) and Lithuania (16.85) *(http://sanhati.com/articles/1585/)*

Chart 10: Private debt as percentage of GDP (USA)



(Source: Monthly Review, December 2008)

Though the unemployment rate is climbing fast in many advanced countries, the joblessness in absolute number is much higher in the backward countries. It is noted earlier that according to official figure, 20 million jobs have been lost in China. Thousand of thousands of migrant workers are returning to the villages. Likewise, millions of migrants are coming back to their native countries like Philippines, Thailand, Sri Lanka, India, East European countries etc. Before going into the details about the onslaught perpetrated on the working people all over the globe, we are presenting here an excerpt written by David Harvey, a well-known Marxist. – Update]

The Crisis and the Consolidation of Class Power

Disempowerment of labor: enough is enough

[...] Right now, when you look at what's been happening to workers over the last 50 years, they have got almost nothing out of this system. But they haven't risen up in revolt. In the US over the last 7 or 8 years, the condition of the working classes in general has deteriorated, and there has been no mass movement against this. Finance capitalism can survive the crisis, but it depends entirely upon the degree in which there is going to be popular revolt against what is happening, and a real push to try and reconfigure how the economy works.

One of the major barriers to continuous capital accumulation back in the 1960s and early 70s was the labor question. There were scarcities of labor both in Europe and the US and labor was well organized, with political clout. So one of the big barriers to capital accumulation during that period was; how can capital get access to cheaper and more docile labor supplies? There were a number of answers. One was to encourage more immigration. In the United States there was a major revision of the immigration laws in 1965 that in effect allowed the US access to the global surplus population (before that only Europeans and Caucasians were privileged). In the late 1960s the French government was subsidizing the import of Maghrebian labor, the Germans were bringing in the Turks, the Swedes were bringing in the Yugoslavs, the British were drawing upon their empire. So a pro-immigration policy emerged which was one attempt to deal with the labor problem.

The second thing you go for is rapid technological change which throws people out of work and if that failed then there were people like Reagan, Thatcher and Pinochet to crush

organized labor. And finally capital goes to where the surplus labor is by off-shoring, and this was facilitated by two things. Firstly technical reorganization of the transport systems: one of the biggest revolutions that happened during this period is containerization which allowed you to make auto parts in Brazil and ship them for very low cost to Detroit or wherever. Secondly the new communications systems allowed the tight organization of commodity chain production across the global space.

All of these solved the labor problem for capital, so by 1985 capital has no labor problem any more. It may have specific problems in particular areas but globally it has plenty of labor available to it; the sudden collapse of the Soviet Union and the transformation of much of China added something like 2 billion people to the global proletariat in 20 years. So labor availability is no problem now and the result of that is that labor has been disempowered for the last 30 years. (...) *(Source: By David Harvey, 15.03.09, CounterPunch; retrieved from http://www. zcommunications.org/ on 01.04.09)*

[This "disempowered" labour is now facing severe attacks on their employment, benefits, livelihoods something unprecedented since 1930s. In November of 2008, the Citi Bank of the USA cut **50 thousand** jobs. In January 2009, **74 thousand** jobs were wiped out **in a single day** *(27.01.09, www.wsws.org)*. Each month, data published by the US Bureau of Labour Standards show more distressing figures about job-losses. A business daily writes the following about the **US unemployment.** – Update]

The Real Unemployment Rate Hits a 68-Year High

Although you have to dig into the statistics to know it, unemployment in the United States is now worse than at any time since the end of the Great Depression.

From December 2007, when the recession began, to May of this year, 6.0 million U.S. workers lost their jobs. The big three U.S. automakers are closing plants and letting white-collar workers go too. Chrysler, the worst off of the three, will lay off one-quarter of its workforce even if it survives. Heavy equipment manufacturer Caterpillar and giant banking conglomerate Citigroup have both laid off thousands of workers. Alcoa, the aluminum maker, has let workers go. Computer maker Dell and express shipper DHL have both canned many of their workers. Circuit City, the leading electronics retailer,

went out of business, costing its 40,000 workers their jobs. Lawyers in large national firms are getting the ax. Even on Sesame Street, workers are losing their jobs.

The official unemployment rate hit **9.4%** in May—already as high as the peak unemployment rates in all **but the 1982 recession, the worst since World War II.** And topping the 1982 recession's peak rate of 10.8% is now distinctly possible. The current downturn has pushed up unemployment rates by more than any previous postwar recession.

Some groups of workers are already facing official unemployment rates in the double digits. As of May, unemployment rates for black, Hispanic, and teenage workers were already 14.9%, 12.7% and 22.7%, respectively. Workers without a high-school diploma confronted a 15.5% unemployment rate, while the unemployment rate for workers with just a high-school degree was 10.0%. Nearly one in five (19.2%) construction workers were unemployed. In Michigan, the hardest hit state, unemployment was at 12.9% in April. Unemployment rates in seven other states were at double-digit levels as well.

As bad as they are, these figures dramatically **understate the true extent of unemployment.** First, they exclude anyone without a job who is ready to work but has not actively looked for a job in the previous four weeks. The Bureau of Labor Statistics classifies such workers as "marginally attached to the labor force" so long as they have looked for work within the last year. Marginally attached workers include so-called discouraged workers who have given up looking for job-related reasons, plus others who have given up for reasons such as school and family responsibilities, ill health, or transportation problems.

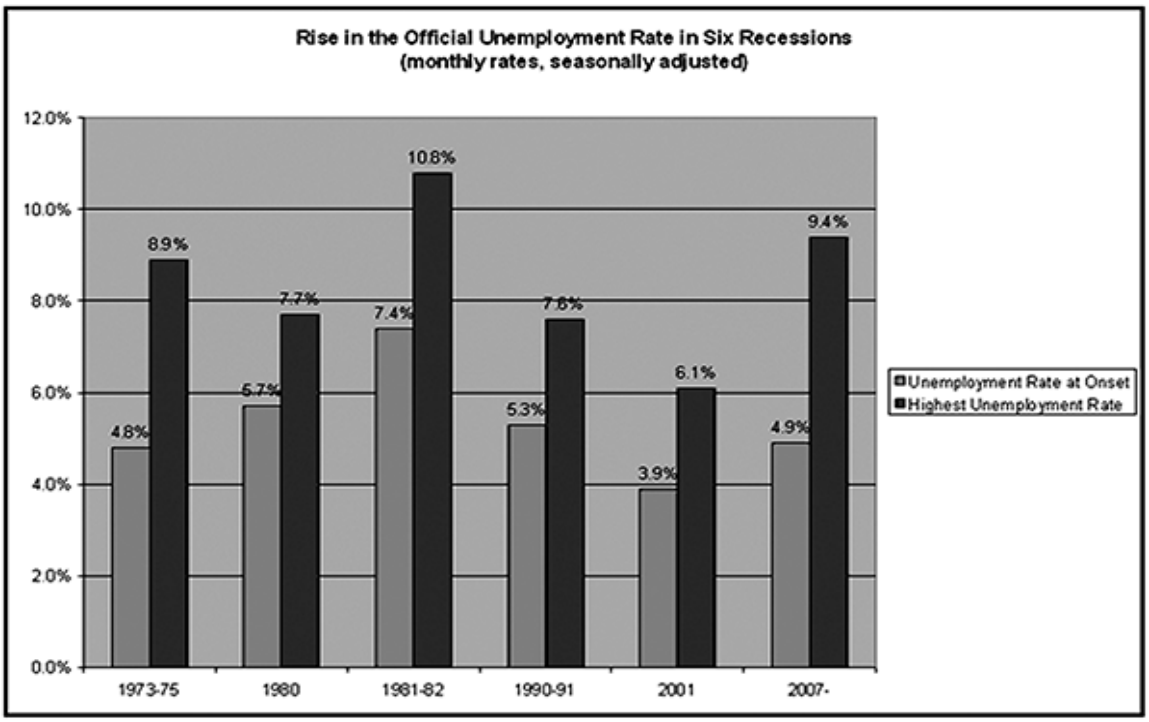
Second, the **official unemployment rate leaves out part-time workers looking for full-time work: part-time workers are "employed" even if they work as little as one hour a week.** The vast majority of people working part time involuntarily have had their hours cut due to slack or unfavorable business conditions. The rest are working part time because they could only find part-time work.

To its credit, the BLS has developed alternative unemployment measures that go a long way toward correcting the shortcomings of the official rate. The broadest alternative

measure, called "U-6," counts as unemployed "marginally attached workers" as well as those employed "part time for economic reasons."

When those adjustments are taken into account for May 2009, the **unemployment rate soars to 16.4%.** That is the **highest rate** since the BLS began calculating the U-6 rate in 1994. (...)

Chart 11



(Source: By John Miller, Dollars and Sense, retrieved from http://sanhati.com/articles/1585/ on 23.06.09)

Why is the real unemployment rate so much higher than the official, or U-3, rate? First, **forced part-time work has reached its highest level ever, going all the way back to 1956 and including the 1982 recession.** In May 2009, **8.8 million** workers were forced to work part time for economic reasons. Forced part-timers are concentrated in retail, food services, and construction; about a quarter of them are young workers between 16 and 24. The number of discouraged workers is high today as well. In May, the BLS counted 2.2 million "marginally attached" workers. That matches the highest number since 1994, when the agency introduced this measure.

With the economy in the throes of a catastrophic downturn, unemployment, no matter how it's measured, will rise dramatically and impose yet more devastating costs on society and on those without a job or unable to find full-time work. [...] *(Source: By John Miller, Dollars and Sense, retrieved from http://sanhati.com/articles/1585/ on 23.06.09)*

[Another report found more interesting facts about the joblessness in the USA from the official report published in June, 2009. – Update]

US Jobs Picture: June 5, 2009

[...] May marked the **17th straight month of job loss;** the current recession is now **officially the longest economic downturn since the Great Depression.** The Establishment Survey showed that the U.S. economy lost 345,000 jobs in May, compared to an average monthly loss of 643,000 jobs in the previous half-year. [...]

One trend worth highlighting in today's jobs report is the **continued dramatic collapse of wage growth.** For the first year of the recession, wage growth remained relatively strong; nominal (non-inflation adjusted) hourly wages for production/nonsupervisory workers (who comprise over 80% of payroll employment) grew 3.9% from December 2007 to December 2008. Since that time, however, **wage growth has slowed abruptly**; in May 2009, wages grew at a **1.3%** annualized rate, **one-third the earlier pace.** The ***chart*** shows nominal hourly wage growth since 2007. Weekly wage growth has declined even more as workers have seen their hours cut back—nominal weekly wage growth was 2.4% from December 2007 to December 2008 but *declined* at a 2.3% annualized rate in May. The recent collapse of wage growth—the last labor market indicator to deteriorate in this downturn—means not only that **the recession is adversely affecting even those who keep their jobs,** but also that there is additional downward pressure on consumption, which will suppress the pace of any economic recovery.

Since the start of the recession, the economy has shed a total of 6 million jobs, representing 4.3% of employment. But the country's population didn't simply stop growing in that month: in order to keep up with population growth, the economy must add approximately 127,000 jobs every month, which means 2.2 million jobs should have

been added over the last 17 months. In other words, **the economy is now 8.2 million jobs below** where it would need to be to maintain pre-recession employment rates.

The index of aggregate weekly hours—a measure of the total number of hours worked in the economy and thus a more comprehensive measure than employment because it captures both job loss and reductions in hours for the workers who kept their jobs—continues to decline rapidly. It fell 0.7% in May (an annualized rate of 8.1%), and a total of 7.5% since the start of the recession. This is a steeper decline than in any recent recession including that of the early 1980s.

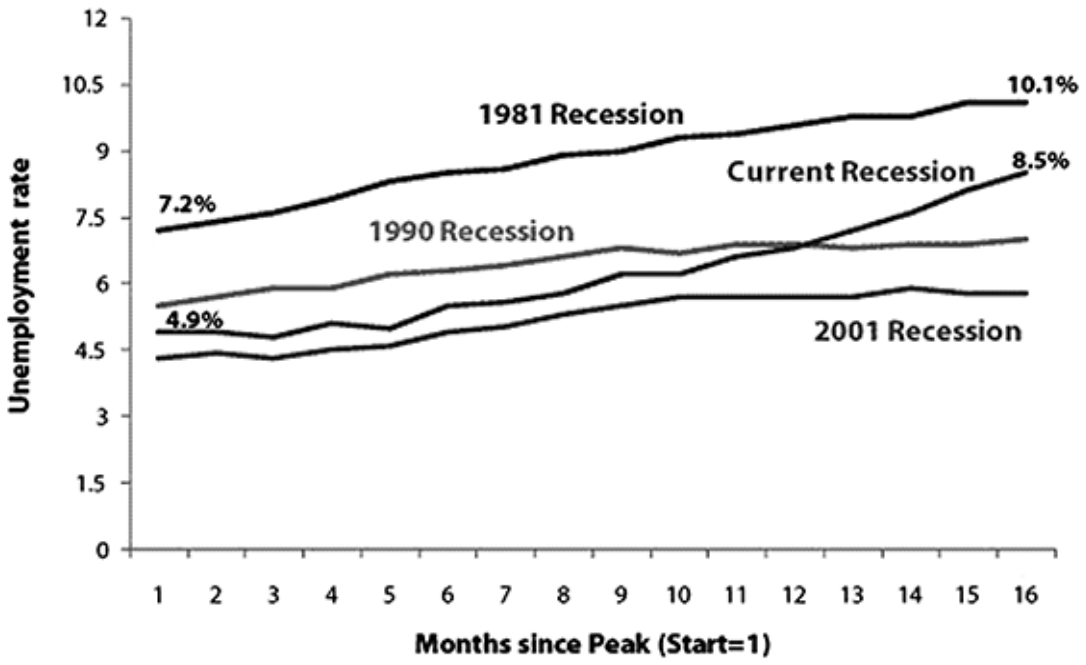
As has been the case throughout the downturn, manufacturing and construction saw the biggest losses in May. Manufacturing saw a decline of 156,000 jobs, for a total drop since December 2007 of 1.8 million, or 13.0% of that sector's employment. However, May's decline represented a slowing of losses in manufacturing, which had lost an average of 177,000 jobs per month over the previous six months. Construction saw a decline of 59,000 jobs in May, for a total of 1.2 million jobs lost in this recession (16.2% of employment). This was also a slowing of losses in construction, which had lost an average of 117,000 jobs per month over the previous six months. [...]

In May, unemployment was 14.9% among black workers, 12.7% among Hispanic workers, and 8.6% among white workers (increases of 6.0, 6.5, and 4.2 percentage points, respectively, since the start of the recession). For workers with a college degree, the unemployment rate is 4.8%, higher than any period since at least 1979 (the earliest data available). Unemployment among those with only a high school diploma is more than double that of college-educated workers at 10%. Workers with less job experience are also particularly hard hit in this economy. Workers age 16-24 face an unemployment rate of 17.3%, 25-54 year olds are seeing 8.4%, and those 55 or older are at 6.7% (up 5.7, 4.4, and 3.6 percentage points, respectively, since the start of the recession).

The May employment report shows that while the pace of losses may be slowing, the U.S. labor market is still hemorrhaging jobs. [...] *(Source: By Heidi Shierholz, 05.06.09, http://www.epi.org/publications/entry/jobspicture20090605/; accessed 11.06.09)*

[The author of the above excerpt provides more illuminating analysis along with figures about the impact of the recession on the US people in comparison to prior recessions. Note the following excerpt, tables and charts. – Update]

Figure A: Unemployment: current and prior recessions



(Source: 07.05.09, http://www.epi.org/publications/entry/jobspict_200905_preview/)

US Job Reports: May 2009

[...] ***Table I*** shows the unemployment rate at the start of each recession over the last 50 years along with the unemployment rate 15 months later. The unemployment rate increased 3.6 percentage points in the first 15 months of the current recession, **a far steeper increase** than any of the previous recessions. In particular, during the first fifteen months of the deep recession of 1981/1982, the unemployment rate increased only 3.2 percentage points. In other words, while the unemployment rate was higher during the early 1980s than it is today, it was also much higher going into the recession. U.S. workers in the early 1980s saw a smaller increase in unemployment than what workers are experiencing today. ***Figure A*** shows this graphically; the unemployment rate at the

onset of the current recession was at a lower level lower than both the 1981 and 1990 recessions. But it has increased much more dramatically.

Figure B shows (graphically) total nonfarm employment at the start of each recession over the last 50 years along with employment 15 months later. **Employment has decreased much more during this recession—3.7%—than in prior recessions.** In particular, during the first fifteen months of the recession of 1981/1982, employment declined by only 2.9%. Employment loss during the first eight months of this recession was relatively mild compared to previous recessions but then **it fell off a cliff and now far surpasses the employment loss of the early 1980s.** [...]

Table I: Change in unemployment rate in current and prior recessions

	Unemployment Rate		
Recession	**Peak (Start)**	**15 months from Peak**	**Change**
April 1960	5.2	7.0	1.8
December 1969	3.5	6.0	2.5
November 1973	4.8	8.1	3.3
January 1980	6.3	7.2	0.9
July 1981	7.2	10.4	3.2
July 1990	5.5	7.0	1.5
March 2001	4.3	5.8	1.5
December 2007	4.9	8.5*	3.6

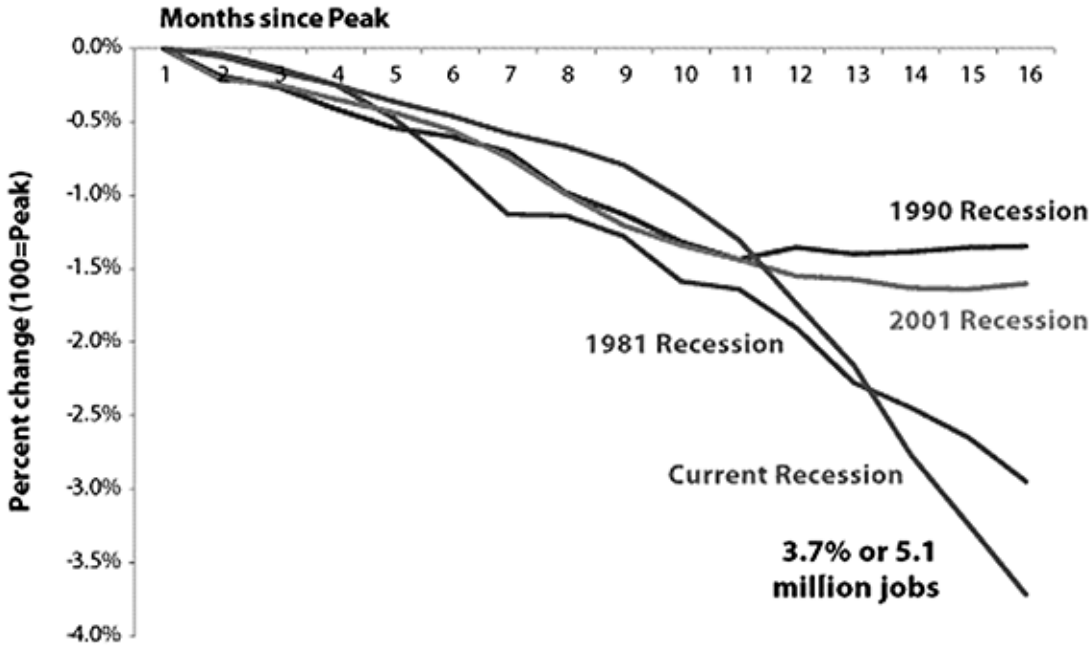
*climbed up to 9.4% on July 2009

(Source: 07.05.09, http://www.epi.org/publications/entry/jobspict_200905_ preview/)

Underemployment is a more comprehensive measure of labor market slack that includes not just the unemployed, but also "involuntarily" part-time workers (workers who want full-time work but can't get the hours) and marginally-attached workers (jobless workers who want a job but are not actively seeking work and are therefore not counted as officially unemployed). **Underemployment data** as currently measured are only available since the mid-1990s, so it is not possible to compare the current recession to the recession of 1981 on this measure. [...] In particular, the number of involuntarily part-time workers has **nearly doubled** since the start of the recession, from 4.6 million to 9.0 million. Over this time, the underemployment rate has increased from 8.7% to 15.6%, so that now 24.4 million people—**one out of every six US workers—are either unemployed or underemployed.** ***Figure C*** shows the components of underemployment over the course of the recession; the sharp increase in involuntarily part-time workers is apparent. [...] *(Source: by Lawrence Mishel & Heidi Shierholz,*

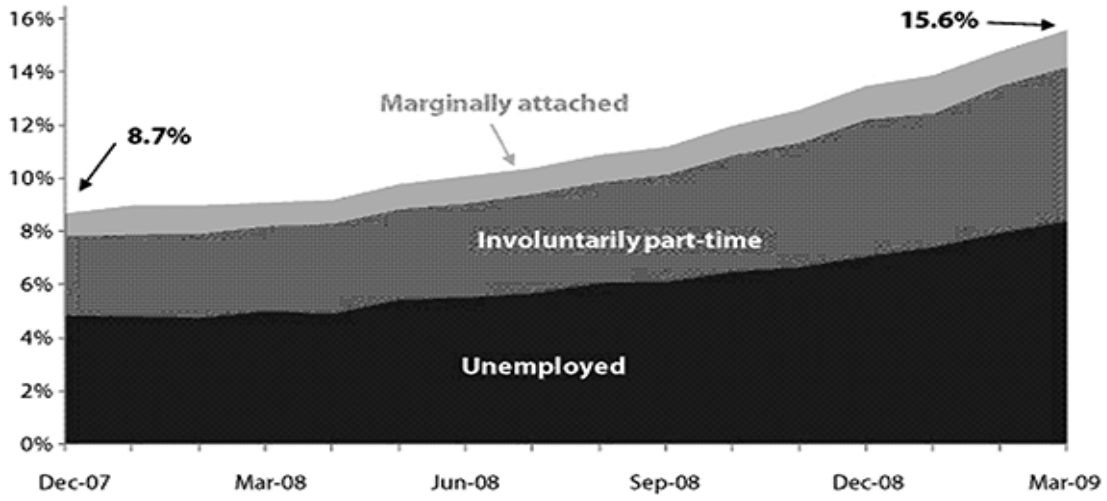
07.05.09; http://www.epi.org/publications/entry/jobspict_200905_preview/; accessed 11.05.09)

Figure B: Job Losses: current and prior recessions



(Source: 07.05.09, http://www.epi.org/publications/entry/jobspict_200905_preview/)

Figure C: US underemployment rate



(Source: 07.05.09, http://www.epi.org/publications/entry/jobspict_200905_ preview/)

[Following excerpts give data about the scale of unemployment in the EU, greater EU zones and the countries like France & Germany. – Update]

Euro area unemployment up to 8.9%, EU27 up to 8.3%

The **euro area** (EA16) seasonally-adjusted unemployment rate was **8.9%** in March 2009, compared with 8.7% in February. It was 7.2% in March 2008. The **EU27** unemployment rate was **8.3%** in March 2009, compared with 8.1% in February. It was 6.7% in March 2008.

Eurostat estimates that **20.154 million** men and women in the **EU27**, of which 14.158 million were in the **euro area**, were unemployed in March 2009. Compared with February, the number of persons unemployed **increased by 626,000** in the **EU27** and by **419,000 in the euro area**. Compared with March 2008, unemployment went up by 4.061 million in the EU27 and by 2.816 million in the euro area. [...]

Among the Member States, the lowest unemployment rate was recorded in the Netherlands (2.8%), and the highest rates in Spain (17.4%), Latvia (16.1%) and Lithuania (15.5%). [...]

The unemployment rate for males rose from 6.5% to 8.6% between March 2008 and March 2009 in the euro area and from 6.2% to 8.3% in the EU27. The female unemployment rate increased from 8.2% to 9.2% in the euro area and from 7.3% to 8.3% in the EU27.

In March 2009, the youth unemployment rate (under-25s) was 18.1% in the euro area and 18.3% in the EU27. In March 2008 it was 14.5% and 14.6% respectively. [...] *(Source: 30.04.09, http://ec.europa.eu/eurostat; accessed 20.05.09)*

French April jobless jumps past 2.5 million

French unemployment climbed by 58,500 in April as companies continued laying off workers in the recession, with the number of young people seeking work continuing to rise strongly, data on Friday showed.

Monthly data issued by the Economy Ministry showed the headline jobless total **rising to 2,506,700** in April, **a 2.4 percent increase** from the previous month and **a 24.6 percent rise from a year earlier.**

As in the previous month, young people were among the hardest hit, with an annual rise of **39.9 percent** in the number of jobseekers under the age of 25 in mainland France, including a **55.2 percen**t rise in the number of young male jobseekers. [...]

[A]ccording to ILO standards, France's jobless rate in March stood at 8.8 percent, just below the euro area average of 8.9 percent.

The monthly rise in the jobless total reported on Friday was the **10th in succession**, reflecting a wave of site closures and company failures over the past year as the global economic crisis has hit. [...] *(Source: 29.04.09, http://www.guardian.co.uk/business/feed article/8532001; accessed 30.05.09)*

German unemployment set to rise as recession tightens its grip

German unemployment edged up again in April, official data released Thursday is forecast to show, amid expectations that the nation faces a surge in the numbers out of work as global recession hits the jobs market in Europe's biggest economy. Analysts expect the Federal Labour Agency will say seasonally adjusted unemployment, which reflects overall trends in the job market, **climbed by another 60,000** this month after rising **69,000 in March.**

This will push the German jobless rate up to **8.2 per cent** this month compared to 8.1 per cent in March. [...]

[W]armer spring weather means that the politically sensitive seasonally unadjusted could fall by about 25,000 in April to about 3.56 million.

But this is considerably less than the falls in unemployment chalked up during the same month in previous years. Seasonally unadjusted unemployment fell on average by 140,000 in April during the three previous years.

Up until now, government subsized short-term work contracts have helped companies avoid mass lays offs despite the weakening economic conditions.

However, economists also warned that the numbers out of work **could climb to 4.1 million** by the end of the year with the German Government saying Thursday it expects the nation's **economy to contract by a dramatic 6 per cent** this year. [...] Berlin now expects the nation's jobless queues to swell by 450,000 to average 3.7 million this year before jumping by 900,000 to about 4.7 million in 2010. *(Source: 30.04.09, www.earthtimes.org/articles/show/266669,german-unemployment-set-to-rise-as-recession-tightens-its-grip.html; accessed 30.04.09)*

[Another advanced country—Japan—reeled under long spell of recession during 1990s has been gripped once again by the present economic downturn and its working people are paying the price for it. – Update]

Suicides on the Rise as Japan's Economy Falters

The man was lying fully clothed on the bed in his apartment in Osaka. He looked peaceful, as if asleep. His skin was dark gray. He'd been lying there for about a month, but no one had missed him. The doctors who performed the autopsy were astonished to find that his stomach was almost empty. The man had starved to death.

The refrigerator in his apartment was also empty. There were a few coins in a tin can, not even enough to pay for a meal. Job search magazines were scattered on the floor, as well as an application form on which the man had entered his work experience.

The news about this unemployed man who had starved to death in Osaka came as a shock to the world's second-largest industrialized nation. His extreme case made the Japanese realize how poorly equipped their social welfare system is for the consequences of the global financial crisis.

What made the starving case so shocking is that he was not a lonely old man, but a 49-year-old computer specialist with an apparent will to work. Until the spring of 2007 he'd worked in a bank as a dispatcher. He was forced to quit his job for health reasons, but when he was able to return to work, he could no longer find a job.

The employment outlook in Japan is worsening apace. In February, **exports were down by almost 50 percent** compared with the previous February. And because more and more Japanese are worried about their jobs, domestic consumption has collapsed. In the last fiscal year, which ended March 31, **more than 16,000 companies went out of business**—an increase of **more than 12 percent** over the same period in the previous year.

Shades of the 'Lost Decade'

The current crisis has started to resemble Japan's so-called "lost decade." Unlike the bubble of the '80s, the impetus for the current recession came from abroad, from the United States. And Japanese banks were in excellent shape at first, compared with their Western counterparts—although a few financial institutions did use their substantial reserves to buy stakes in ailing Wall Street competitors.

But an early burst of Japanese schadenfreude over the American crisis has given way to consternation. Like Germany, Japan is realizing how dangerously one-sided it can be to rely, primarily, on exports. [...]

Toyota has become a symbol of the new crisis. More than a year ago, Japan's model corporation announced a record profit of 2.27 trillion yen ($23 billion). "Nothing is Impossible," read the giant automaker's advertising slogan, but now those words are coming true for Toyota in a different and macabre way. For the last fiscal year, which ended on March 31, Toyota expects to post a loss of 350 billion yen ($3.5 billion), the company's **first net loss since 1950**. [...]

Jobless Corporate Samurai

Japan clings to the rituals of daily life, as armies of commuters, patient as ever, crowd into overfilled subways. Many of these corporate samurai no longer have jobs. They leave their apartments in the morning, pretending to go about their routines, hoping to hide the shame of unemployment from families and neighbors.

Internet cafés across Japan are filled with job seekers, many out-of-work former contract workers. They were the first to go when the crisis erupted; they were dismissed

by the thousands. In many cases, losing their jobs meant losing the rooms they occupied in company-owned apartment buildings. [...]

Japan's unemployment rate, **currently at 4.4 percent**, is likely to rise. [...] Companies are striving to bring down costs, mainly at the expense of their suppliers. But many of these highly specialized small businesses have already streamlined their production in recent years, so the wave of bankruptcies is likely to continue. The number of suicides committed by bankrupt company owners—and dismissed employees—may rise, too.

In Adachi, a Tokyo district with many small businesses, the district administration has launched a pilot project to combat a rise in suicides. Kyoko Yoshioka of the district hygiene department pushes a set of harrowing statistics across her desk: Since 1998, at the height of the lost decade, about **30,000** Japanese have taken their lives each year.

The Adachi neighborhood is ground zero for the epidemic. Almost a third of all suicides can be attributed to economic hardship, since many of the despondent commit suicide out of shame over their professional and business failures. [...] (Source: 17.04.09, www.spiegel.de/international/world/0,1518, 619608,00. html; accessed 30.04.09)

Box: In one of the world's wealthiest states, Jaunpai Murasawa is a poor man.

He skips meal to make ends meet. A bachelor, he lives in a tiny apartment in Tokyo, sharing a kitchen and shower with nine neighbours. He doesn't have health insurance as he can't afford premiums. The 29-year old labourer is one of a burgeoning class in Japan—the working poor.

The number of Japanese earning less than $19,610 a year surged 40% from 2002 to 2006, the latest data available, the government says. They now number more than 10 million. In a country that boasts the world's longest living population, ...Murasawa's is a voice of hopelessness and despair—a voice increasingly heard in Japan. The plight of such workers is likely to worsen as the global financial crisis ripple through the Japanese economy. At the bottom of the economic food chain, Murasawa and his cohorts will be the first to suffer.

... As the Tokyo stock market tumbled in 1990s it evaporated vast stores of wealth, corporations restructured by laying off workers. In the 2000s, that was followed by a round of free market reforms that widened the disparity between haves and have-nots. A key to the growthof the working poor has been the explosion in temporary employment agencies, which allowcorporations to take on labour without having to pay benefits. As part of the market reform, the government made it easier in 2004 for manufacturers to hire such labourers, whose number has since increased 40%. *(Source: Times of India, 29.10.08)*

[The impact of the present 'crisis' on the auto industry of the world is a classic example of relocating the burden on the workers. Though felt all over the world, it is particularly severe in the USA, Canada, UK, and Japan. Follow the report on the job cuts in UK car plants. – Update]

Car giants slash thousands of UK jobs

Ford, Honda, Nissan, Jaguar, Toyota, GM...all the global car giants have announced job cuts and halts to production, along with huge wage cuts. The global economic downturn has seen car sales crash in the last year, writes *Andy Yorke*, unleashing a worldwide offensive by automotive bosses to make their workers pay for the collapse in profits.

In November 2008, UK car production fell off the cliff. The number of cars produced dropped to 97,604, representing **one-third of UK output lost in a month** and the **lowest** level **since 1987**; in January that dropped to 61,404. Commercial vehicle makers were even harder hit, with **output dropping more than 50 per cent** to less than 11,000 vehicles; January saw a **59.9 per cent drop.** [...]

According to the Department of Business Enterprise and Regulatory Reform (BERR), 194,000 people work in UK car manufacturing, while 2,500 companies employ 115,000 staff in the components industry. Many agency workers and temporary contract workers have already lost their jobs, and now suppliers are also cutting jobs.

For example, two days before Nissan announced cuts in January, its supplier Unipres car components announced 96 full-time and 200 short-contract jobs were to go. Jaguar Land Rover employs 15,000 workers but its CEO claims that the company supports up to 75,000 jobs if suppliers and dealers are added in. [...] *(Source: March 2009, http://www.workerspower.com/; accessed 04.04.09)*

[Auto industry has a giant share in the global industrial production and employment. A website reports that:

- **$2.6-trillion:** Global revenue of auto manufacturing, more than the gross domestic product (GDP) of France but less than that of China, Germany, Japan or the U.S.
- **6 per cent:** Portion the auto sector contributes to the GDP of the EU 15... In the U.S., the sector contributes 3 to 4 per cent of the total GDP.
- **9 million:** Number of jobs worldwide directly linked to making vehicles and parts, or about over **5 per cent** of the world's manufacturing work force.
- **50 million:** Each direct global auto job supports at least another five jobs indirectly, with many more people employed in related service and manufacturing jobs, meaning **more than 50 million** people earn their livings from the industry
- **850,000:** Number of people employed by the U.S. automotive industry at the end of 2008.

- **11.5 million:** Number of vehicles produced in Japan in 2007. Japanese car industry body JAMA estimates 2009 domestic demand for passenger cars and commercial vehicles at 4.86 million units, which would mark a **fifth successive year of decline**.

(Reuters, 28.04.09, www.theglobeandmail.com/servlet/story/LAC.20090428. IBAUTOFACTS28ART1929/TPStory/Business; accessed on 09.05.09)

In fact, the auto industry of the USA was under permanent crisis for three decades:

For more than 30 years now, ...Detroit has been in a permanent state of crisis. In those three decades, the Big Three—**Ford, General Motors and Chrysler—have shed more than half of their jobs.** *(11.03.09, www. spiegel.de/international/business/0,1518,599988,00.html)*

Mothly Review, narrated the plight of the north American auto inudstry where thousands of jobs have been vanished under a deal between the auto companies and the union bureaucracy brokered under the courtesy of the US government. Note the following excerpt. – Update]

The North American Auto Industry in Crisis

The current financial crisis marks a series of turning points in the history of the North American auto industry. First, the iconic "Big Three" have been downsized to "The Detroit Three." Once the global symbol of U.S. productivism and consumerism, they now teeter on the brink of bankruptcy and, in the process, profound questions are being raised about the decline of U.S. manufacturing jobs more generally. Second, the auto unions, themselves once emblematic of what workers could achieve within capitalism, have been reduced to lobbying to save "their" companies, and a decades-long trend in private-sector labor negotiations has now confirmed collective bargaining as having shifted from demands *by* workers to demands *on* workers. This highlights the broader crisis of labor: if labor cannot find a way to renew itself it could fade into irrelevancy. [...]

The Current Crisis

The collapse of credit markets for major industrial borrowers hit all auto companies and their suppliers, with the drop in consumer borrowing leading to massive declines in sales.

While the slump presents short-term challenges to the Japanese and European car firms, it signals a crisis of survival for the Detroit Three. General Motors, alone, lost $30.9 billion in 2008. Its fourth quarter loss was $9.6 billion, a decline of **39 percent** in revenue. It sustained **losses in North America and the rest of the world.** This burned a huge hole in its cash reserves. The corporation ended 2008 with about $14 billion in cash, which is close to the minimum amount of cash GM claims it needs to fund its operations. (That figure includes the $4 billion it borrowed from the U.S. Federal government.) Figures are similar for Chrysler and Ford.

Unable to get credit from seized-up private markets, the Detroit Three were forced to borrow from the state. Both GM and Chrysler applied for and received loan guarantees from the U.S. and Canadian governments (with conditions), while Ford mortgaged its assets to access a line of credit. The U.S. government provided a total of $17.4 billion to GM and Chrysler. Each asked for still more from the Obama administration. The Canadian and Ontario governments promised $3 billion, plus tax relief of various kinds.

In order to receive the loan guarantees, the lame-duck Congress and the Bush administration imposed a set of conditions on the companies, **accompanied by a vicious attack on the workers.** The companies were forced to submit formal restructuring plans to cut costs, streamline their operations, and change their product offerings, subject to approval by the new administration at the end of March 2009. GM, in its report, promised to cut three of its eight brands, close five more of its U.S. factories, and **cut another 47,000 jobs** globally by the end of 2009—**19 percent** of its workforce, with jobs outside the United States accounting for 26,000 of its reductions and 20,000 U.S. jobs slated to go. GM of Canada asked for $7.5 billion from the federal and Ontario governments. While the company pledged it would not announce any new closures of Canadian plants, it did say that it planned to cut its Canadian workforce to 7,000 by 2010. In 2005, GM of Canada employed 20,000 Canadian workers.

The demands made on the workers were harsh: The United Auto Workers (UAW) had to match the wage, benefit, and working condition levels at the U.S. operations of Honda,

Nissan, and Toyota. This applied to Canada, too (the Canadian Auto Workers [CAW] argued that they would match the U.S. parent companies of the Detroit Three branch plants). In addition, at least half the contributions to the new U.S. union-administered funds for retiree health care benefits (called a VEBA), would have to take the form of (now devalued and fragile) company stock. The requirement was that the workers should "come to the table," with the unions referred to as *stakeholders*. Of course, their fellow stakeholders—the top managers and bondholders—hardly faced demands that threatened their health, incomes, and economic survival. At least 80 percent of the bonds are owned by enormously rich private and speculative "vulture" hedge funds. The requirement to match nonunion workplaces was nothing more than an open challenge to unionization itself.

[...] In the face of a lack of mobilization and struggle by their unions, North American workers have been disoriented, demobilized, and frightened by mass layoffs, speedup, plant closures, and threats of the bankruptcy of their employers. Both the UAW and CAW were compromised by previous concessions, and the larger labor movements in both countries have been unable to mount any real challenges to neoliberalism. This has emboldened employers and the state in their demands on the workers. The auto unions accepted the terms of the original demands with minimal conditions of their own. The UAW negotiated concession agreements with Ford and GM, but wasn't able to resolve the issue of company contributions to the VEBA in the latter. [...] *(Source: by Hernman Rosenfeld, Monthly Review, June 2009)*

[In short, the auto workers have failed to wage a minimum form of struggle in one of the most fierce class-war waged by the capitalist classes, thanks to the unpreparedness of the workers and treachery of the union-bosses. A commentator of a socialist website comments that,

> "This crisis comes at a period when the organizations of working and oppressed people in the US are at their **weakest** state at any point in historical memory." *('Crisis Theory: Root Causes of the Current Crisis', by Charlie Post, 19.10.08; www.marxsite.com/Charles%20Post%20crisis%20theory. html; accessed 21.12.08)*

The lack of preparedness of the US working class may be illustrated to a certain extent in the following article published in a socialist website. – Update]

Union Busting Getting Worse, Study Shows

A new five-year study reveals that private sector employer opposition to the efforts of American workers to form unions has intensified and become more punitive in recent years.

Conducted by highly-regarded labor expert and Cornell University professor Kate Bronfenbrenner, the study concludes that employers are using much more aggressive tactics—including threats of firing, actual firings, interrogation and plant-closing threats—in their campaigns to thwart workers' organizing efforts. The anti-union tactics used today, compared to those of 20 years ago, include more coercive and punitive tactics designed to intensely monitor and punish union activity.

A 2007 study by Richard B. Freeman of Harvard University, cited by Bronfenbrenner, found that if all workers who wanted a union were given the opportunity to have union representation, the percentage of union-represented workers in the U.S. would be **58 percent**. Instead, **only 12.4 percent** are represented by unions. Bronfenbrenner's study illuminates the reasons why, including the heavy-handed employer anti-unionism and the failures of current labor law, and a largely toothless National Labor Relations Board, to protect workers' rights to democratically choose unionism.

Thuggish Attitudes Common

According to Bronfenbrenner, it is standard practice—in union organizing campaigns—for workers to be subjected by corporations to threats, interrogation, harassment, surveillance, and retaliation for union activity. From the 1999-2003 data, the study found the prevalence of the following actions by employers:

- 63 percent interrogate workers in one-on-one meetings with their supervisors about support for the union.
- 54 percent threaten workers in such meetings.
- 57 percent threaten to close the worksite.
- 47 percent threaten to cut wages and benefits.

- 34 percent fire workers.

Even when workers succeed in forming a union, 52 percent still remain without a contract one year after they win the election, and 37 percent remain without a contract two years after the election. [...]

"CARROTS" REPLACED BY "STICKS"

At the same time, employers are less likely to offer "carrots," such as unscheduled raises, positive personnel changes, bribes, special favors, social events, promises of improvement, and employee involvement programs.

Private-sector campaigns differ markedly from public-sector ones, where 37 percent of workers belong to unions. Survey data from the public sector describes an atmosphere in which workers may organize relatively free from the kind of coercion, intimidation, and retaliation that so taints the election process in the private sector. Most of the states in the study's public sector sample have laws allowing workers to choose a union through the majority sign-up process.

According to the report, the failure of the current system to defend workers' rights in a timely manner multiplies the obstacles workers face when seeking union representation, adding further delays that favor employers over workers. [...]

What "Secret Ballot"?

The study also offers a strongly rebuttal to the most frequently-used attack on the Employee Free Choice Act—that the bill is somehow undemocratic because it allows union certification on the basis of majority card check in place of NLRB "secret ballot" elections. After summarizing the coercive tactics used by anti-union employers, Bronfenbrenner writes:

"This combination of threats, interrogation, surveillance and harassment has ensured that there is no such thing as a democratic 'secret ballot' in the NLRB certification election process. The progression of actions the employer has taken can ensure that the employer knows which way every worker plans to vote long before the election takes place." *(Source: by UE, 03.06.09, http://www.mrzine.monthlyreview.org/ue030609. html; accessed 03.06.09)*

[In Britain, a section of the working people has been involved in propagating racial hatred and even evicting the immigrant workers on the face of the jobcuts. Though majority of the joblosses in Britain (and also in Germany, France) are amongst the immigrants from East European, Asian countries, a section of the white workers has targeted them. – Update]

Europe Falls Out of Love with Labor Migration

With unemployment soaring, many European Union countries want the migrant workers they once attracted to go home as quickly as possible. They are sparing no expense or effort to encourage them to leave. [...]

Construction companies and restaurants in these countries were only too pleased to employ the cheap labor from the East. More and more families hired Polish women to clean their houses or nannies with Slavic accents to put their children to bed. The migrants' wages were modest, and yet in some cases three times as high as they were at home. The newcomers sent as much of their earnings home as possible, injecting capital that helped their hometowns gain unprecedented prosperity.

Once the global economic crisis erupted those days were over. Unemployment has risen twice as fast in Great Britain and Spain as elsewhere in Europe. Now the citizens of Western European countries need the jobs themselves, and their governments are resorting to all kinds of tricks and incentives to get rid of the wiling hands they once needed so badly.

Globalization has turned **200 million people into migrant workers** in the last few decades. One fifth of them are Europeans, less than one tenth are Africans and 3 percent are from Latin America. Now the trend is reversing itself, a shift that generally affects those who came from Europe's poorest regions and from emerging and developing nations. [...]

No More Promised Land

There is considerable temptation to cope with the crisis by taking protectionist steps. In many places, guest workers are now only perceived as competitors. In Great Britain, domestic labor union members recently prevented Italian and Portuguese mechanics

working for a Sicilian company from modernizing an oil refinery. British blue-collar workers also protested against the use of Spanish and Polish workers in the construction of a power plant in Nottinghamshire. In London, the Minister of State for Borders and Immigration announced that restrictions would be necessary "to protect British jobs." [...]

Elsewhere in Europe, migrants willing to return to their native countries can qualify for substantial assistance. Spanish aid organizations, for example, pay travel costs and €450 ($590) in spending money. The country is especially eager to part ways as smoothly as possible with its more than 700,000 Romanians, the largest group of registered immigrants in the country.

The government in Madrid has even taken things a step further by advertising its "Voluntary Return Program" in ads on subway trains and buses. José Luis Rodríguez Zapatero, the Socialist prime minister, hopes that the program will help oust 100,000 of the 2.8 million non-Europeans living legally in Spain.

By last December, 240,000 of them had already filed for unemployment benefits, and that number is likely to have increased since then. If migrant workers agree not to return to Spain for three years, they are repaid their contributions to the unemployment insurance system: 40 percent upfront, and the balance upon return to their native countries. [...]

No European country has attracted as many guest workers in recent years as Spain. Since Madrid joined the EU in 1986, the economy has enjoyed consistently high growth rates, and recently was even above the average of the countries that use the euro as their currency. There was more construction in Spain than anywhere else, and there was plenty to do for the country's 5.3 million foreigners, who now make up more than 10 percent of the population.

The Rise of Xenophobia

When the Socialists came into power in 2004, they introduced an amnesty, giving papers to 700,000 illegal non-Europeans with jobs, so as to collect their contributions to the social security system. In addition, Spanish companies recruited workers in Colombia, Ecuador, Mexico, Mauritania, Poland and Bulgaria to pick fruit and vegetables, or to work in hotels, restaurants or the construction sector.

Now the labor market can no longer absorb any additional immigrants, says Labor Minister Celestino Corbacho. Tens of thousands of Spanish citizens are now applying for seasonal jobs picking olives and strawberries in Andalusian villages, thereby displacing the foreign workers. This has inevitably poisoned the climate for migrant workers.

In the Madrid region, governed by the conservative People's Party of Spain, the **police force was instructed to crack down on foreigners** during I.D. checks and arrest a predetermined number of foreigners without residency or work permits every week. Xenophobia is also growing in France, where President Nicolas Sarkozy, during his election campaign in 2007 had already elevated the "fight against tax and social fraud" to the status of a national responsibility. The deportation quota has been increased considerably since then.

The mood has now shifted to one of overt xenophobia in Italy, which, like Spain, only became a country of immigration in the last decade. Illegal immigrants cannot be "handled with kid gloves," Interior Minister Roberto Maroni said, and the government of Prime Minister Silvio Berlusconi promptly unveiled a new security law. It calls for a fee for residency permits and proof of a minimum level of income. Under the law, the homeless will be fingerprinted, doctors will be required to report patients without papers and citizens' patrols are to be authorized to pick up illegal immigrants. Anyone working in the country illegally will be deported, and those who refuse to leave can be sent to prison for up to four years. [...] *(Source: 18.03.09, http://www.spiegel.de/international/europe/0,1518,614065, 00.html; accessed 30.04.09)*

Table: Europe's Migrants Workers (in '000)

UK:	Indian	154	Irish	152	Polish	151	Total	1773
Germany:	Turkish	842	Italian	385	Serbian	208	Total	3528
France:	Portugese	304	Algerian	184	Moroccon	181	Total	1456
Italy:	Romanian	191	Moroccon	164	Albanian	148	Total	1463
Spain:	Ecuadorian	266	Moroccon	251	Romanian	169	Total	1824

[In this context, we would notice the rise of far-right groups in Europe targeting the immigrants and minorities. – Update]

Europe: The Right Rises

Human rights activists have warned of a **"proliferation" of far-right groups** in central and eastern Europe amid an economic crisis fuelling support for extremist movements and political parties.

They say more and more far-right groups are **becoming "paramilitary"**, carrying out violent attacks on Roma and other ethnic or religious minorities, while extreme right-wing political parties see a surge in voter support.

"There has been a **rise in right-wing extremism** in eastern Europe, especially in Hungary and the Czech Republic where paramilitary-style groups have been formed," Georgina Siklossy, spokeswoman for the European Network Against Racism told IPS.

"There is a distinct danger that, in times of economic crisis as at present, right-wing extremism and right-wing groups will proliferate." [...]

In eastern Germany, where many regions are severely economically depressed, race-hate crimes are on the rise, according to local authorities. Figures from the interior ministry in the state of Saxony show that the number of reported crimes against foreigners rose 55 percent last year, while anti-Semitic incidents almost **doubled**.

And in February in Dresden, where tens of thousands of people have, or are expected to be, laid off by companies struggling in the recession, 6,000 members of **neo-Nazi groups held one of the biggest anti-immigrant protests in Germany in the last 20 years**.

Meanwhile in Russia human rights groups say that in the last year incidents of **right-wing violence have reached a historic high**. In one incident in December a right-wing group called the 'Combat Organisation of Russian Nationalists' brutally beat and then beheaded a Tajikistan man in Moscow. This was followed by planned demonstrations in the capital by right-wing groups against foreigners. [...] *(Source: by Pavol Stracansky, 05.05.09, http://ipsnews.net/news.asp?idnews=46722; accessed 10.05.09)*

[We are coming back to the question of immigrant workers. It is an undisputable fact that in the era of globalisation, global capital is moving with evermost aggression into

every corners of globe in search of cheap labour. In this hunt for profit-maximisation, more and more labour were being dragged into the global chain of production. Most of these workers were forced to toil under oppressive labour conditions in contractual terms, receiving meagre wages and almost no social benefits like gratuity, provident funds, pensions, etc. In this crisis, these vast armies of labour are thrown away often with brutality. In April 2009, a US media reports that:

> [T]he housing boom created a plethora of construction and other jobs and helped boost the immigrant employment rate above that of natives... [M]any of the immigrant job losses came in low-skill occupations hit hard by the recession. In construction, for instance, the immigrant jobless rate climbed to **20%** in the first quarter of 2009 from 4.7% 18 months earlier. About one-fourth of all workers nationally and two-thirds in Los Angeles County are foreign-born...
>
> The picture is worse for educated immigrants. The jobless rate among immigrants with a bachelor's degree rose to **6.3%** in the first quarter of 2009 from 2.6% 18 months earlier. Meanwhile, the rate among native-born college graduates rose to 4% from 2.5%.... *(30.04.09, www.latimes.com/news/local/la-me-immiglabor30-2009apr30,0,6885931.story)*

Almost similar scenario has been observed in many 'developing' countries also. Each year, millions of poor migrants left their native countries for a 'bright' future. Now, recession has taken away their jobs throwing them outside. Philippinos are coming back from the USA, Dubai, Malaysia. Indians, Bangledeshis are deported from UK, Arab countries. Following excerpts would provide a glimpse on these harrowing experiences. Note the ***Box*** also. – Update]

Malaysia: Recession to Hit Migrant Workers Hard

It is a time of great unease for Malaysia's estimated **3.5 million** legal and illegal, low-paid foreign workers who face a dreadful future in an unfriendly country as a global financial meltdown begins to take effect.

It does not help that neighbouring Singapore, already in recession, is expected to retrench workers and some 300,000 Malaysians working there have suddenly become vulnerable.

The government has already formed a special task force that will find ways to accommodate retrenched Malaysians returning not only from Singapore but also Taiwan, Japan and the Middle East.

"The foreign workers are at the lowest rungs of the scale and already vulnerable. It is now a question of how soon recession will hit the country," labour leader Siva Nathan told IPS. "When that happens, the migrant workers will be the first to go," he said.

Already there are signs of an official toughening of the attitudes against migrant workers, 2.2 million of whom are documented while the rest are considered "illegal immigrants."

Malaysia's notorious 'RELA', an untrained and voluntary uniformed body, is already stepping up raids across the country to arrest undocumented workers and deport them.

Immigration authorities have issued warnings that Malaysians found harbouring or renting premises to "illegal immigrants" would be fined or jailed, a move that is likely to unload hundreds and thousands of undocumented migrant workers now living in "rabbit warren'' housing in shanty towns.

"They would be homeless and out in the open, and easily rounded up," said a senior RELA officer on condition of anonymity. "We are sympathetic, but we have received our orders...the rule now is jobs are first for locals. We have to protect ourselves now as mass layoffs are possible with the world economy taking such a big hit."

Malaysia's deputy prime minister Najib Razak, who is set to take over as prime minister from Abdullah Badawi in March 2009, is already gearing the government to tighten belts and save as many jobs as possible for the locals.

Razak said while the economy is likely to grow by five percent in 2008, growth in 2009 is expected to nosedive as the economies of U.S., Europe and East Asia contract or even go into recession.

He told parliament, last week, that the government was taking steps to reduce the number of foreign workers by **400,000** a year from now until 2010. Almost **26 percent** of Malaysia's trade is with the U.S. and a key area is electronics where order books are beginning to shrink, manufacturers said. [...]

Malaysia's trade unions, while expressing sympathy for migrant workers, are moving in fast to protect jobs for local workers and those returning home after losing their jobs overseas.

"It is unfortunate but we have to defend our jobs, our rice bowls," said Sinnapan Arumugam, a worksite supervisor and union leader in a manufacturing factory in Bayan Lepas industrial hub in northern Penang state.

"This is the case under the law...locals come first," he told IPS referring to Malaysian labour laws that state that in the event of retrenchment local workers are the last to be axed. [...]

Labour experts and rights activists say it is important for the authorities to plan how to handle the crisis in an intelligent and humanitarian manner to ensure that foreign workers are **not just bundled into ships and deported**. *(Source: By Baradan Kuppusamy, 28.10.08, http://ipsnews.net/news.asp?idnews=44466; accessed 25.11.08)*

Financial Crisis Hits Overseas Workers

Global Workers

Some 3,000 Filipinos leave the country each day to work overseas, adding to the eight million workers from other countries scattered around the world. According to a recent report by the World Bank, remittances from overseas Filipinos reached $17 billion last year. That places the Philippines as the **fourth largest** recipient of remittances in the world after India ($27 billion), China ($25 billion) and Mexico ($25 billion).

But while India and China have much larger economies powered by foreign direct investments and Mexico has oil, the Philippine economy is small. Its poor infrastructure, small-scale agriculture, and limited manufacturing are incapable of absorbing the growing number of Filipinos seeking work at home.

According to the Manila-based IBON Foundation, the Philippines faces **"historic joblessness,"** with an average annual unemployment rate of **11.3 percent** from 2001 [...] to 2007. That translates to an "additional **1.4 million** Filipinos either jobless or

looking for added work and income" [...] *(Source: by Carmela Cruz, 16.12.08, http://www.fpif.org/fpiftxt/5750; accessed 27.12.08)*

Indonesia: Tough Times for Returning Labor Migrants

In 2008, some **200,000** Indonesian nationals were sent home from Malaysia because of the recession. Most come from rural areas of the world's fourth most populous nation where poverty is particularly rife.

"Due to the global crisis, I see more migrant workers from other sectors returning," Choirul Hadi, secretary-general of the Indonesian Migrant Workers' Trade Union, told IRIN. [...]

Earlier this year, the UN Development Programme (UNDP) warned that the financial crisis threatened to undermine the government's ability to meet its poverty reduction and employment targets.

A large segment of the population was vulnerable to shocks and at risk of falling below, or further below the poverty line, a 31 March statement read. [...] Eighty percent of labor migrants are the only breadwinner for their families, with the vast majority women from poor rural families, he added. [...]

Many had borrowed heavily to pay agent fees and other charges to secure their employment and have had the least amount of time working to recoup those costs.

When work visas are cancelled, there is little chance of a refund.

The government estimates there are approximately **2.7 million** documented Indonesian migrant workers working overseas, while the number of undocumented workers could be four times that. [...]

Alongside the Philippines and Sri Lanka, Indonesia is one of the few Asian countries that **deploy more female than male migrant workers,** most of whom have a low level of education and work in unskilled or semi-skilled jobs. About **80 percent** of all Indonesian migrant workers are women, **mostly domestic workers**. Some **60 percent** are in the Middle East, including Saudi Arabia, Kuwait, UAE, Jordan, and Qatar,

with the rest in Asia Pacific, including Malaysia, Singapore, Hong Kong, South Korea, and Taiwan. [...] *(Source: 14.05.09, http://monthlyreview.org/mrzine/; accessed 15.05.09)*

[Earlier, we have observed that the export-dependent countries of Asia have been hard-hit due to the shrinking export-orders from the USA, EU and Japan. Most of these Tiger economies and other 'emerging' countries are now sinking deep into the recession. Thousands of workers have been driven out of the manufacturing factories in these countries. In the following report, World Bank has narrated the spate of lay-offs occurring in some of the East & South-East Asian countries. – Update]

Lay-offs are rising

Employment in the formal sector is falling across the region, led by labor shedding in manufacturing and construction. Available data on registered unemployment indicate that there were at least **23.6 million unemployed workers** in the region at the end of 2008, or about **0.6 million more than a year earlier.** An additional 0.2 million unemployed were registered in January in the four entities reporting data. The registered unemployment captures only a small part of the story. Many countries do not have unemployment benefits or registries, while in developing East Asia **informal employment accounts for about half of total employment**. Different surveys of companies, academic research, anecdotal evidence and press reports suggest that difficulties are substantially larger than revealed by registered unemployment numbers:

- In **Cambodia**, about **50,000** garment workers, or **17 percent** of the total, are reported to have lost their jobs since September as a result of the slump in garment production and exports, but these are not reflected in the official numbers.
- Similarly, the garments association in **Vietnam** reports that about **100,000 workers** were **shed** in January and February after 10 large firms stopped production.
- In **China**, the Academy of Social Sciences reports that **670,000 small and medium enterprises** (SMEs) have **closed** in the cities of Guangzhou, Dungun and Shenzhen, with total **job losses of up to 2.7 million**. Media reports, meanwhile, indicate that **about 25 million migrant workers** in China have **lost their jobs**, and official statistics do not include them. A recent survey of

foreign-owned companies concluded that **27 percent** of companies have laid off staff while 67 percent have delayed recruitment.

- A recent survey in **Thailand** among 141 companies in 19 sectors found that **26 percent** of companies have already conducted **lay-offs** in the last months while another 30 percent anticipated lay-offs in the next six months.

[...] In Korea, leading industrial employers, trade unions and the government agreed in January to "a grand plan for social unity" that aims to preserve jobs. Under the plan—which is not legally binding—workers will accept wage cuts, employers will commit not to shed labor, and the government will help companies with tax cuts as part of the stimulus plan.

Nonetheless, with economic activity set to slow further this year, **unemployment in the region is likely to rise**. In **Thailand**, the central bank projects that about **1.1 million more people** will be unemployed in 2009 if output remains little changed; with output likely to decline as projected in this report, however, job losses will probably be larger. As a reference point, unemployment in the U.S. (as measured according to ILO methodology) rose from 4.7 percent in December 2007 to 4.9 percent in March 2008 even with contracting economic activity, before surging to 8.1 percent by January 2009. While the slowdown in growth is smaller in East Asia than in the U.S., the delayed response of unemployment is also manifest in the region.

In addition to rising unemployment, it is likely that the region's economies will also experience shifts in employment across sectors along with **declining real wages**. During the 1997-98 Asian financial crisis, about **30-40 percent** of displaced urban workers returned to rural areas to work in agriculture. (Scope for such movement seems more limited now, as a larger share of workers that migrated to cities either sold their rural property or are more reluctant to relocate.) Moreover, the economies with the largest currency depreciations during the Asian crisis suffered the **largest reductions in real wages**, and larger cuts in real wages relative to GDP were associated with smaller reductions in employment. Changes in wages rather than employment accounted for the bulk of the labor adjustment during the 1997-98 Asian financial crisis. Average real wages fell by 6.3 percent in Thailand, 9.8 percent in Korea and 44 percent in Indonesia, although in all these countries earnings rebounded strongly with activity in the aftermath of the

crisis. The primacy of wage adjustment likely reflected the short duration of the crisis: growth fell sharply in only 1998 in most crisis-affected countries before rebounding swiftly in the following year. While employers are likely to be delaying layoffs now until more clarity about the length of the crisis becomes available, they will be under increasing pressure to shed labor if activity remains depressed for longer, as is now likely.

Progress in poverty reduction will slow

Weaker economic expansion will slow the pace of poverty reduction in the region as a whole. It is now projected that **10.2 million more people will remain in poverty** in 2009 than was expected only a year ago **(30 million more against the 2007 estimate)**. Given that the region's population is concentrated in larger middle-income countries, the poverty reduction foregone measured in numbers of people will be much higher in the middle-income countries. Around 8.4 million more people will remain in poverty in the middle-income countries (including 5.8 million in China), compared with 1.8 million in the low-income countries.

Cambodia, Malaysia, and Thailand are projected to experience **absolute increases in poverty** as a result of a contraction in per capita income in 2009. Cambodia is the country with the largest projected increase in the number of poor people. Even in countries with positive per capita income growth, there will be significant shifts of people in and out of poverty, as workers in export-oriented manufacturing, construction, tourism, and the mining sector are being significantly affected by the crisis. *[...] (Source: From 'Battling the forces of global recession', East Asia and Pacific Update, April 2009, World Bank, www.worldbank.org)*

Box: 400 left adrift mid-sea without food or water

The last memory Mohammad Shoaib has is of a moment of deadly terror, when he found his head slowly sinking beneath the water. He could do nothing about it. Except pray for a quick death. All around him, many cries had been silenced. Someone had held his hand till a few minutes ago. Now, he was gone. It was Shoaib's turn. The last gulp he took was a lungful of salty sea water, not air.

When he awoke in a coast guard hospital in Port Blair on Monday, he looked around with wild eyes. "Am I still alive? I can't believe this. So many dead. So Many," he repeated between wails and sobs.

Shoaib was one of over 400 people crammed into a 25-metre boat, with only a plastic sheet for sail, and left adrift mid-sea by the Thai authorities a fortnight ago. This was what they got after having sold everything they had to touts who promised them jobs in Thailand. Shoaib, at least, got back his life. More than 300 drowned. Some were washed ashore in Little Andaman on Monday, half eaten by sharks and other fish.

Two months ago, Shoaib had sold off his belongings—including a tiny boat that had been his only source of sustenance for years, and his wife's silver ornaments—for Rs 8,000. This was what the 'agents' had demanded to send him to a "land of dreams" where he would have a "job and better life".

Like Shoaib, hundreds of Bangladeshis and Myanmarese nationals had done the same. The touts herded them into six vessels at Cox's Bazar in Bangladesh in the first week of November and they set sail for Malaysia. A few days later, they were intercepted by the Thai navy. "All 412 people were arrested and held in a camp on a remote island," sources said.

After two weeks of Thai custody, they were released. "But the Thai authorities did not return our vessels. They packed us into a 25-metre boat, gave us a little boiled rice and water, and set us 'free'. They even dismantled the boat's engine. A Thai warship dragged us for 18 hours and left us in the middle of the sea," Shoaib told to police officer in Little Andaman.

For a fortnight they drifted helplessly starving, burnt by the sun and lashed by the salty waves. None knew how to guide a ship, nor where they are going. "We were in a small hell in a big ocean," the officer Shoaib as saying. The rice lasted two days—each got handful, once a day. When someone died, he was thrown overboard.

On the evening of December 26, the boat entered Indian waters. "We spotted a lighthouse. It was the only ray of hope for our survival. But by then, seven of our men had died. We had sailed for over 12 days without a drop of water and desperate," said another person rescued by the Indian coast Guard.

The drifters saw it as the last chance to clutch at life and threw themselves into the sea. In the darkness, they thought the lighthouse just a swim away. In fact, they were several kilometers off. (*Source: Times of India, 30.12.08)*

Jobs Vanish as Exports Fall in Asia

At a three-story factory here that used to make television remote controls, most of the fluorescent lights have been turned off. The hallways are nearly silent, and three-quarters of the workers have been laid off.

A pencil factory down the road closed last September, laying off 100 workers. Another nearby factory that turned out carved and painted wooden window frames shut down and laid off 800 workers. And two Toyota factories, one here in Karawang and another in a nearby city, have not renewed the contracts of 277 temporary workers.

"In our 11 years here, this is the worst situation with so many layoffs—not even in 1998 was it this bad," said Abraham Sauate, the manager of the TV remote factory, comparing today with the Asian financial crisis in 1997 and 1998. "The problem now is we don't know where to go, and we don't know how long it will last."

On Thursday, Japan said exports fell 35 percent in December from a year earlier as the crisis hurt its main markets. China and Japan draw the most attention, but the global slump in manufacturing is spreading across Asia.

Industrial production is dropping in South Korea at the fastest pace since record keeping began in 1975. **Taiwanese exports dived 40 percent** in December compared with a year earlier. And ports from Indonesia to Thailand are handling ever fewer shipping containers. "There's not a country in the region that is not slowing sharply or in outright recession," said Stephen S. Roach, the chairman of Morgan Stanley Asia.

During the last crisis, investors took their money out of country after country. Asian leaders thought they had found a solution—increases in exports to the West, particularly of electronics. But that dependence on exports fed this crisis. Now American and European buyers are pulling their import orders from country after country. And while governments have short-term economic stimulus plans, long-term answers seem more elusive.

Hard times in factory towns are especially troubling in Asia, where countries depend on manufacturing for a far greater share of economic output than Western countries do, as much as **40 percent** in the case of **China** and other big exporters.

That is triple the current 13 percent in the United States, and much higher even than the American peak of 28 percent in 1953.

While all of Asia is suffering, some economies are feeling the effects of the global downturn less than others.

Many of these countries are latecomers to the world market. They have even lower wages than China and were just starting to benefit from the arrival of businesses seeking to avoid increases in wages and other costs in China from 2003 through last summer.

For example, Bangladesh's exports are dominated by the sale of low-cost garments to mass-market retailers like Wal-Mart that have fared well as consumers have begun shifting toward thriftier purchases. Garment workers in Bangladesh still earn $40 to $50 a month, barely half the minimum wage in export-oriented coastal cities in China.

Economic difficulties in the West "will have an impact on Bangladesh in terms of our growth rate, but I'm not concerned it will eat into our share" of the global garment market, said Mustafizur Rahman, the executive director of the Center for Policy Dialogue, a nonpartisan research group in Dhaka that specializes in trade and other economic issues.

The numbers bear that out. While overall American imports dropped 12 percent in November compared with a year earlier, imports rose from Bangladesh and from Vietnam. Each country shipped more knit apparel to the United States, and Vietnam also shipped more furniture.

Few countries were hit harder in the Asian financial crisis than Indonesia. Much of the banking system collapsed, economic output plunged, riots ensued and the government fell.

But Indonesia is often described as one of the less vulnerable countries in Asia, because its insular economy relies less on trade than other countries in the region. With the world's fourth-largest population—after China, India and the United States—Indonesia has long had a domestic market big enough to sustain large industries without the need for foreign markets.

Yet the difficulties here in Karawang show how far the global downturn now reaches. The factories here have attracted workers from all over Indonesia. More are now losing

their jobs, just as tens of thousands of migrant Indonesian workers are coming home after being laid off in neighboring countries like Malaysia and Singapore. [...] *(Source: By Keith Bradsher, 21.01.09, http://www.nytimes.com/2009/01/22/business/worldbusiness/22rupiah.html; accessed 30.04.09)*

[We have noted earlier that the economic downturn in the USA and European countries is pulling down the giant export-led economy of China— called as the **"workshop of the world"**. It is estimated that **50%** of the China's economy is driven by exports. Thousands of factories, particularly in the world-'famous' export zones of China are closing down rendering millions of workers jobless. Majority of these workers are migrants from rural areas:

> Estimates by government research agencies for **urban jobless** top **18 million**, or **9 percent** of the workforce... This figure doesn't include the growing number of jobless among the **160 million migrant workers** who are mostly employed in factories. The **rural unemployment rate** could be as high as **20 percent**. In addition, 1 million college graduates are not expected to be able to find jobs this year... This year as many as 24 million people will be competing for as few as 8 million newly created jobs. *(13.01.09, http://www.clb.org.hk/en/node/100361)*

Most of these migrant workers are not officially registered. Hence, the actual number of laid-off workers could not be ascertained. Even the actual number of the enterprises closed is not known:

> Throughout 2008, only 3,500 enterprises formally filed for bankruptcy in China. Hiding behind this tiny number however is the approximately **800,000** businesses that exited the market by either cancelling their registration or having their business license revoked. *(05.06.09, www.eeo.com.cn/ens/finance_investment/2009/06/05/139307.shtml)*

And,

> The rising yuan, escalating production costs and trade protectionism have driven out of the market **more than half** of toy exporters in China, the world's largest supplier of toys. A total of 3,631 toy exporters or **52.7 per cent** of the industry's businesses shut down in 2008. They were mainly small-sized toy producers with an export value of less than $100,000, the General Administration of Customs said in a report on Tuesday.

Customs data showed only 3,507 toy exporters were still in business. *(14.10.08, www.rediff.com/money/2008/oct/14bcrisis12.htm)*

Numerous reports of the crisis in export-led economy of China are flooded the media. Note some of the excerpts. – Update]

Factories Shut, China Workers Are Suffering

Wang Denggui, father of three, arrived more than a year ago in the palm-lined streets of this southern town with a single goal: toil in a factory to save for his children's school tuition.

But the plans of Mr. Wang and thousands of co-workers unraveled at noon on Nov. 1, when the Taiwanese chairman of their ailing shoe factory climbed over a factory wall to flee the country and his debts. That left several American shoe companies with unfilled orders and 2,000 workers without jobs. "He just ran without telling anyone," Mr. Wang said.

For decades, the steamy Pearl River Delta area of southern Guangdong Province served as a primary engine for China's astounding economic growth. But an export slowdown that began earlier this year and that has been magnified by the global financial crisis of recent months is contributing to the shutdown of **tens of thousands of small and mid-size factories** here and in other coastal regions, forcing laborers to scramble for other jobs or return home to the countryside.

Furthermore, the slowdown inhibits China's ability to work with other nations in alleviating the worldwide crisis.

The Pearl River Delta, known as the world's factory, powered an export industry that pushed China's annual growth rate into the double digits and provided work for migrants from interior provinces with poor farmland. But circumstances have changed quickly. The slowdown in exports contributed to the closing of at least 67,000 factories across China in the first half of the year, according to government statistics. Labor disputes and protests over lost back wages have surged, igniting fear in local officials.

After the shutdown of their shoe factory, called Weixu in Chinese and China Top Industries in English, Mr. Wang and some co-workers took to the streets in protest,

demanding two months of back pay, or $440 on average. The government called in the riot police. Seven workers were thrown in jail and six were beaten, including Mr. Wang, he said.

"I plan to return home once I get my money," Mr. Wang said as he stood outside the factory on Tuesday, showing the bloody shin wound that he said resulted from a blow from a metal baton. (The police declined to comment.) "I'm over 50 years old, and I won't be able to find work. I'll just retire."

Under pressure from Beijing to maintain social stability, local officials are also trying to tamp down unrest by doling out back wages. Here in Chang'an, after the worker protest, the government shelled out more than $1 million to pay back wages to most of the workers at the shoe factory. (Mr. Wang and some other laborers say they are still without back pay.)

The slowdown in exports has accelerated a major shift in the nature of Chinese manufacturing: small factories that were already being pinched by rising costs of labor, transportation and raw materials, as well as by the appreciating yuan, are closing en masse. That is especially the case in these towns scattered around the city of Dongguan, known for churning out low-end products. Soon the labor-intensive factories that rely solely on migrant work could disappear from southern China, and foreign companies could contract with similar factories in Vietnam and other countries where costs are lower. [...] *(Source: By Edward Wong, 13.11.08, www.nytimes.com/2008/11/14/world/asia/14china.html; accessed 29.11.08)*

Protest by suitcase workers sent packing in China

Laid-off migrant worker Chen Li had red scrape marks on his right cheek from a scuffle with riot police outside his factory that went bust this week in southern China. (...)

During boom years, workers like Chen would still be toiling on the assembly line, looking forward to banking another month or so of pay before the Chinese New Year, which begins Jan. 26. But this year thousands of factories have gone belly up in Guangdong province—the country's main manufacturing hub—forcing the migrants to head home early.

With the global economic downturn, Christmas export orders were down for Chinese factories, and more bad economic news has followed. In November, growth in China's factory output fell to its lowest level in nearly seven years. More than 7,000 companies in Guangdong closed down or moved elsewhere in the first nine months of the year, the official China Daily newspaper reported. For workers like Chen, the chances of finding another job are low. This is the slow season, with Christmas orders already shipped off. A new hiring frenzy normally kicks off after the New Year holiday, when migrants flood back to industrial zones in one of the world's biggest annual human migrations.

Until then, authorities will be under pressure to keep a lid on discontent in villages, where many workers may still be simmering over how their jobs came to a bad end.

It has become common in Guangdong for factory owners to suddenly shut down their cash-strapped plants and disappear without paying laborers.

That's what happened at Chen's factory—the Jianrong Suitcase Factory in the city of Dongguan. The plant shut down Tuesday without warning and its 300 workers began taking to the streets, demanding full payment of wages.

Local government officials eventually glued an announcement to the factory's walls, saying its Japanese owner could not be located and the workers would only get 60 percent of the monthly wages they had earned since October. The laborers, paid an average monthly salary of 1,500 yuan, or about $220, refused to accept the deal.

Calls to the factory rang unanswered Friday, and there was no information on the owner or his whereabouts; the workers said the factory's Taiwanese manager had not been seen since Tuesday.

On Friday morning, riot police with helmets and shields were called in and sealed off the factory compound, blocking the workers, who live in dormitories inside, from leaving. The plan appeared to be to keep them from protesting outside the factory until they collected their final wages and left for the holiday.

But by noon, about 100 workers got fed up and marched out of the factory. They were led by a short, stocky worker named Dai Houxue, who chanted, "There are no human rights here!" as he pushed away the arm of a policeman who tried to restrain him.

"They have been trying to lock us up in the factory because they don't want us to come out and have the international media cover our protest," Dai said. [...]

As about 30 riot police guarded the front gate, the workers boldly shut another gate that led to a courtyard where they gathered. They screamed and yelled when police tried to enter.

Then, catching sight of a plainclothes policeman in a crew cut, khaki pants and black shirt who had slipped inside and was eavesdropping on their conversations, they quickly surrounded him and shouted: "You are not employed here. Leave now!"

Using loudspeakers, officials urged the workers to take their final wages and leave. But the workers refused and remained in the compound, shouting from their dormitory balconies, "We don't want it. You're uncivilized. You beat people." The officials left after an hour, refusing to comment to an Associated Press reporter. [...] *(Source: By Willian Foreman, 21.12.08, http://www.google.com/hostednews/ap/article/; accessed 23.12.08)*

Factory Closures Strain China's Labor Law

The global economic downturn is testing China's efforts to improve labor laws, pitting the need to give basic legal protections to 700 million workers against the need to keep businesses afloat.

The country's economic emergence boosted incomes, but also led to complaints that workers' rights were being trampled. In response, the central government in **January 2008** introduced workplace-protection legislation, known as the **Labor Contract Law**. The law sought to tighten job security, to make dismissing workers more difficult, and to guarantee severance pay of one month's salary for each year of employment. Last year, China added new job-discrimination laws and made it easier to file complaints against employers. But as the global financial crisis hits the heart of the world's factory floor, labor activists say officials are **turning a blind eye** to the new requirements. Local governments deny they are becoming lax, yet complaints against employers languish in huge backlogs as many are simply shuttering their factories.

"The enforcement of the Labor Contract Law is facing new problems," Hua Jianmin, chairman of the National People's Congress Standing Committee, China's top legislative body, said last month at a meeting on the law. "**Pressures from the labor law may encourage factories to close rather than pay** what they owe to workers under the law," says Liu Kaiming, executive direct at the Institute of Contemporary Observation, a Shenzhen-based labor group. [...] *(Source: By Sky Canves, 16.01.09, http://online.wsj.com/article/SB 123215043508192065.html; accessed 30.01.09)*

[Now, the government officials are proposing not to enforce the labour laws on the factory-bosses. Note the excerpt below. – Update]

Guangdong tells prosecutors to go easy on bosses who commit "ordinary" crimes

In a clear sign that the authorities are willing to relax their enforcement of China's labour laws during the economic crisis, the Guangdong provincial procuratorate has instructed its officers not to arrest or detain factory bosses and other senior staff suspected of white collar crime. However, workers whose protests are deemed to jeopardize factory production will be prosecuted.

The move comes less than a month after senior labour officials in the province sought to make it a crime for bosses to close their factories and flee without paying workers' wages. Provincial officials said in December that they planed to submit a proposal for a new criminal law to deter runaway bosses at this year's National People's Congress, but it now seems that even if the law is approved, prosecutors will be unwilling to enforce it.

The *Guangzhou Daily* reported on 7 January that the Guangdong procuratorate had issued an *Opinion* stressing that, **during the current economic difficulties, its officers should exercise caution in prosecuting white-collar criminals,** and endeavor to ensure that normal enterprise production and development is guaranteed.

To this end, the *Opinion* states that **prosecutors may choose not to arrest factory owners, managers and key technical staff accused of crimes such as embezzlement and corruption.** Moreover, they should clearly establish the facts before taking action to freeze or close bank accounts, disrupt enterprise logistics or issue statements that might blacken the name of the enterprise. Neither should prosecutors

take action that might jeopardize an enterprise's negotiations on major projects or contracts.

Even more worrying for workers' rights, the *Opinion* stresses that **prosecutors should crackdown on any crimes that harm the legitimate interests of enterprises or jeopardize production.** They should "handle appropriately and according to law (civil turned criminal) cases in which economic disputes trigger violent incidents, such as forced debt recovery, kidnapping, looting etc, and effectively safeguard social order and safety," the *Guangzhou Daily* said.

The implication for workers' taking action to defend their legitimate rights is clear, any strike or protest demanding wages in arrears, social security and pension benefits etc, that escalates into violence will be suppressed and the perpetrators prosecuted to the full extent of the law. [...] *(Source: 13.01.09, www.clb.org.hk/en/node/100361; accessed 21.01.09)*

Box: China tackles job loss with housekeepers

China expects more than 40 million people to be unemployed in 2009 and wants to tackle the problem by training more to become housekeepers.

The government's jobless forecast, reported by the *Beijing News*, comes after several warnings that the global financial crisis has had a serious impact on the nation's trade-dependent economy.

Earlier this year, state media said 25 million migrant workers had lost their jobs after the once-bustling coastal provinces saw their traditional markets in North America and Europe shrink.

To address the problem of growing unemployment, the government has unveiled a plan to train large numbers of housekeepers, the paper reported.

It pointed out that there is an **estimated shortfall of more than 10 million housekeepers** in the Chinese economy.

At the same time, about **60 per cent** of the unemployed are middle-aged, fitting into the age group that typically supplies housekeepers to Chinese families.

Housekeeping is a growth business in China, as an increasing number of middle-class families can afford this service, and need it, because both spouses work. *(Source: 19.06.09, www.theaustralian.news.com.au/business/story/0,28124,25659531-36418,00.html; accessed on 20.06.09)*

[Before going into the discussion on the impacts of global recession on **INDIAN WORKING PEOPLE,** note the findings of an UN report:

The reduction in employment and income opportunities no doubt will lead to a considerable slowdown in progress towards poverty reduction and the fight against hunger. The Department of Economic and Social Affairs of the United Nations Secretariat estimates that **between 73 and 103 million more people would remain poor or fall into poverty in comparison with a situation in which pre-crisis growth would have continued.**

> Most of this setback will be felt in East and South Asia, with between 56 and 80 million people likely to be affected, of whom about half are in India. The crisis could keep 12 to 16 million more people in poverty in Africa and another 4 million in Latin America and the Caribbean. These projections likely underestimate the true poverty impact of the crisis as the distributional consequences of the crisis are not adequately accounted for. Workers at the lower end of the job ladder, including youth and female workers, are more likely to lose their jobs or suffer income losses. In addition, workers are already visibly shifting out of dynamic export-oriented sectors, and either becoming unemployed or displaced to lower productivity activities (including moving back from urban to rural areas).... *[World Economic Situation and Prospects 2009, UN]*

According the report cited above, in East & South Asia 56-80 million of people will be affected and half of these people will be Indians! That means, **on an average, approximately 36 million Indian** will be hit by the ongoing global recession. Interestingly, in this grave scenario, the Government of India proudly has proclaimed in its *Economic Survey 2008-09* that the global recession has limited effects on India! Moreover, the *Economic Survey* has declared more: **only 6 lakhs jobs have been vanished in the export-sector!** It is difficult to find whether this data is understated or not. Most of the international authorities and thinktanks rather provide a much more alarming scenario. Even the official *Economic Survey* cannot conceal some of the glaring facts about the impacts of the recession on the Indian working people. – Update]

1.3 million may lose jobs in 2009-10 [in India]: UNCTAD

About **1.3 million people are likely to lose jobs in the export units** in the current financial year due to recession in the developed countries, an UNCTAD study said.

However, the net job loss in the export sector is estimated to be 7.48 lakh since some sectors like plantation **may** witness a positive growth. The study said, during 2009-10, India's total exports are likely to dip by 2.2 per cent.

"Petroleum products will experience the maximum decline in export growth followed by gems and jewellery, ores and minerals and textiles and its products," it said. [...]

In 2008-09, about **1.16 million people lost their jobs** due to negative export growth in sectors such as **textiles**. [...] *(Source: 12.06.09, www.expressindia.com:80/latest-news/1.3-mn-may-lose-jobs-in-200910-unctad/475500/; accessed 13.06.09)*

[According to the UNCTAD study, **1.16 million, i.e., 11.6 lakh jobs** have been shed in the textile sector only! Observing the trend, the commerce secretary of the Government of India have cautioned us that: "...**upto one crore persons would lose jobs** in the current fiscal" *(04.02.09, Times of India)*. One month earlier, the Indian "exporters' body Federation of Indian Export Organisations (FIEO) has estimated that **10 million jobs** could be lost in the export sector by the end of March 2009" *(07.01.09, Economic Times)*. Note the next excerpt. – Update]

Downturn impoverishes Indian textile workers

The trouble began far away from the leaky concrete house and stand of banana trees that Sakunthala Radhakrishnan calls home.

In 19 years as a textile worker in southern India, Radhakrishnan saved enough to buy gold jewelry. She sent money to her parents and fattened up her skinny daughter with fancy energy drinks. And she secured for her child a gift she herself never received: an English-language education.

But seven months ago, the better life her family was crawling toward got yanked out of reach. After the U.S. financial crisis erupted thousands of miles away, the textile factory where she and her husband worked closed because orders dried up and credit tightened.

"It's a distant dream since I lost my job," she said. "I suffer mental depression." Radhakrishnan, 34, and her husband found new jobs as day laborers—she at a smaller textile factory and he as a welder. But their family income has plunged by nearly half,

from $160 to $90 a month. Now they could lose their home and have to rely on the government for food.

For years, textile jobs helped tens of millions of Indians like Radhakrishnan clamber onto the bottom rungs of the nation's fast-expanding middle class. **Textiles are India's second-largest source of employment, after agriculture, accounting for over 35 million jobs**—far more than the 2.2 million in India's high-profile information technology sector.

Now, the global economic meltdown is pushing Radhakrishnan and many others back.

The IMF estimates that the slowdown has already driven more than 50 million people globally into extreme poverty. In India, slowing growth means at least three million people won't be lifted out of poverty this year, and some of the 200 million who live just above the official poverty line could slip below it, according to the U.N. Development Program. [...]

Many in the textile belt of south India's Tamil Nadu state have seen their incomes roughly halved, to about $1.50 a day, as factories hit by declining exports and tight credit cut production, are forced to reduce payrolls and eventually close down. Distribution of government subsidized food in the area has shot up, and people are taking out loans and hocking jewelry to meet expenses. [...]

During the boom years, textile factories in Tamil Nadu's Coimbatore region could not get enough workers. They sent buses to nearby villages, picking up workers for thrice-daily shifts. In 2005, mills began holding recruitment fairs hundreds of miles away, in Tamil Nadu's impoverished south. Laborers poured in from poor states like Bihar and Orissa. Even on $3 or $4 a day, many built houses and put their children in private English-language schools. Today many of the factory buses have stopped running, and migrants have gone home. [...]

The biggest blow was the global financial crisis, which dried up credit and forced Americans to cut back on their shopping. Half of India's textile production is for export, and the U.S. is India's largest market, accounting for over 20 percent of exports. In the

first two months of this year, textile imports from India were 11.9 percent lower than they were last year, according to the U.S. Department of Commerce. [...]

And there's no way that India, where just 3 percent of textiles are made at large mills, can compete with China. China accounted for 35.9 percent of U.S. textile imports in the year ending March, compared with India's 5.4 percent, according to the U.S. Department of Commerce.

In the last three months of 2008, 27 of India's largest textile companies reported an aggregate loss of $14.8 million, compared to a profit of $43.1 million in the same period in 2007, according to data compiled by the Southern India Mills' Association.

Today, most textile factories around Coimbatore—220 miles southwest of Bangalore—are **operating at half capacity**, say factory owners and business groups.

The Palladam Hi-Tech Weaving Park, a $13 million export center inaugurated in April last year, **is a ghost town**. Only 27 of the 92 lime-yellow factory sheds actually opened, and just 14 are operational, said M. Senthilkumar, managing director of BKS Textiles, which owns five units in the park. The rest stand empty, their shutters drawn.

Dormitories to house 3,000 workers have been abandoned, half-finished. The only sound on the park's Main Street is wind. A few miles away, Gangotri Apparels opened a $68 million factory in 2007. Hulking rooms inside the 52-acre complex are empty. Half the machines are still. [...]

No good data exists on job losses in India's **largely unorganized textile sector**, but the **Confederation of Indian Textile Industry estimates that a million textile workers lost their jobs in the year ending March 31.** Some have found other work, such as selling fruit or milk, farming or factory day labor. [...] *(Source: by Erika Kinetz, AP, 07.06.09, http://www.sfgate.com/cgi-bin/article.cgi ?f=/c/a/2009/06/06/MNGR17SML1.DTL; accessed 09.06.09)*

[Therefore, no more clear picture about the joblosses can be obtained since the data on unorganised export-led sector are hardly available. Moreover, CII, the prestigious body of the business houses claimed about 10 lakh joblosses in the textile sector alone. The

number would escalate if all the joblosses in both organised and unorganised sectors be counted. For example:

> EEPC India, formerly Engineering Export Promotion Council, has expressed concern that the present global economic slowdown is hitting hard the engineering sector, so much so that job loss in the sector might rise to **37 per cent by June**. *(31.05.09, www.thehindubusinessline.com/2009/05/31/stories/2009053150890500.htm)*

Note the following reports also. – Update]

Slowdown hits foundry units, 50k lose jobs

The global meltdown has started to making ripples in the foundry industry in eastern region. On the heels of closure of 120-odd foundry units in and around Howrah and Rourkella over the past one month, about 50,000 people have lost jobs. These people were involved with those units directly and indirectly. [...]

Half of those units had to be closed due to their dependence on the US, Europe and Japan markets. The other half had to suffer due to shrinkage in the domestic demand for foundry products, from automobiles, steel plants, and infrastructure projects. The remaining units are limping with less than 60% capacity utilisation. [...]

In the eastern region, Howrah is the hub of foundry units in West Bengal and Rourkella in Orissa, where 400 and 100 units are located respectively. *(Source: 10.02.09, Economic Times)*

Auto parts: 200,000 may lose job; 4,000 units face closure

India's auto component makers are facing one of the biggest crises ever. [...] "About 4,000 ancillary units are on the verge of closure and about 200,000 people will be affected by this crisis. Most companies have cut down the number of shifts, working days and are cutting down production. The US crisis has aggravated the problem," says Anil Bhardwaj, secretary general, Federation of Indian Micro, Small and Medium Enterprises (FISME). [...] *(Source: 17.12.08, www.rediff.com/money/2008/dec/17bcrisis-auto-parts-200000-may-lose-job.htm; accessed 22.12.08)*

[IT sector—the 'glamour' of India—is also reeling under the global recession. PTI reports the following. – Update]

Indian IT industry may cut 75,000 jobs this year

The Indian IT industry, already under pressure since the downturn began in the US financial, banking and insurance markets last year, is likely to see around **75,000 job losses** this year, according to senior executives of leading software companies.

President Barrack Obama's policy on outsourcing had prompted some technocrats to estimate the extent of possible job losses in India to around **50,000 in the first half of this year itself**. These job losses would be across the sectors such as IT, ITES and BPO, they added. [...]

Mr Pai also said that for financial year 2009-2010, an additional 25,000-30,000 jobs may be lost in Bangalore alone. "These job losses are due to the fact that many companies have shed excess capacity, as the growth rates of industries have decreased. It is possible that a fair number of these people would have found jobs in other industries, too, during this time at a lesser salary," he added.

While understandably, Bangalore as a hub, is expected to see significant job losses, other centres such as Chennai, Pune and Hyderabad could also see an impact. [...] *(Source: 11.04.09, http://economictimes.indiatimes.com/; accessed 24.04.09)*

[Earlier, we have noted in a report of UN that due to the global economic 'crisis', approximately **36 million** of Indian people "would remain poor or fall into poverty". In fact, due to the 'crisis', millions of people in the poor, backward countries would plunge in the abyss of poverty and hunger destituteness. Another report focussing on UN data clarifies the picture. – Update]

The poor and the global crisis: the trail of disaster

The downturn is claiming victims that never appear on a balance sheet. Nine months after the collapse of Lehman Brothers, the world's economic crisis is still usually discussed as though it consisted of dire bank balance-sheets, falling exports and bankruptcies or job losses in the West. But at the other end of the trail that starts with financial woes in rich countries are underweight children and anaemic expectant mothers in poor ones. New research by the United Nations' standing committee on nutrition (available on

www.unscn.org) gives a first estimate of how the crisis has hurt the group of people most affected by the crash: the very poorest.

In 1990-2007, the **number of hungry people rose by about 80m**, though this was, by and large, **a period of rising incomes in developing countries** (and a huge increase in population). In 2008 alone, the number rose a further 40m, to 963m—half as much in one year as during the previous 17. In other words, lots more children and pregnant women are not getting the food they need. The report reckons that the number of underweight children will rise from 121m to 125m by 2010, assuming no change in the size of the world economy (in fact, it is expected to shrink 2% this year). The World Bank has already estimated that **until 2015 the crisis will lead to between 200,000 and 400,000 more children dying every year.**

The poorest face two crises: the world recession and the resumption of food-price rises. Food prices had been falling but even then, the global price fall did not translate into a comparable decline on local markets in most poor countries, so the poor did not benefit much. World prices bottomed out in December 2008 and have since risen 26%. In the poorest countries, a rise of 50% in the price of staples pushes up the family food budget from 50% to 60% of household income. [...]

Currently, around 50m, or 40%, of pregnant women in developing countries are anaemic. Anaemia in expectant mothers, which causes low birth weight and unhealthier babies, is likely to rise by a further 1.2m in Asia and 700,000 in Africa. [...] *(Source: 18.06.09, http://www.economist.com/world/international/displaystory.cfm?story_id=13881048; accessed 20.06.09)*

[In fact, the report produced by the FAO (an arm of the UN) could not hide the real concern of the global capital:

> "The silent hunger crisis—affecting one sixth of all of humanity—**poses a serious risk for world peace and security**. We urgently need to forge a broad consensus on the total and rapid eradication of hunger in the world and to take the necessary actions." *(19.06.09, http://www.stwr.org/food-security-agriculture/one-sixth-of-humanity-undernourished-more-than-ever-before.html)*

On number of occasions the bossess of global capital have cautioned about the probable outbreak of social unrest, and even war:

> The economic crisis, (the director of the IMF) Strauss-Kahn said, would affect "dramatically unemployment for many countries. It will be at the roots of social unrest, some threats to democracy and maybe for some cases, it can also **end in war**." *(25.03.09, www. globalresearch.ca/)*

Echoing the same concern, the intelligence chief of the USA has alarmed the US leaders about the possible outcome of global unrest. Follow the next. – Update]

US intelligence chief: World capitalist crisis poses greatest threat

In testimony before the Senate Committee on Intelligence Thursday, Washington's new director of national intelligence, Dennis Blair, warned that the deepening world capitalist crisis posed the paramount threat to US national security and warned that its continuation could trigger **a return to the "violent extremism" of the 1920s and 1930s.** [...]

Clearly underlying his remarks are fears within the massive US intelligence apparatus as well as among more conscious layers of the American ruling elite that a protracted economic crisis accompanied by rising unemployment and reduced social spending **will trigger a global eruption of the class struggle and the threat of social revolution.** [...]

"The primary near-term security concern of the United States is the global economic crisis and its geopolitical implications," Blair declared in his opening remarks. He continued: "The crisis has been ongoing for over a year, and economists are divided over whether and when we could hit bottom. Some even fear that the recession could further deepen and reach the level of the Great Depression. Of course, all of us recall the dramatic political consequences wrought by the economic turmoil of the 1920s and 1930s in Europe, the instability, and high levels of violent extremism."

Blair described the ongoing financial and economic meltdown as "the most serious one in decades, if not in centuries." "Time is probably our greatest threat," he said. "The

longer it takes for the recovery to begin, the greater the likelihood of **serious damage to US strategic interests**."

The intelligence chief noted that "roughly a quarter of the countries in the world have already experienced low-level instability such as government changes because of the current slowdown." He added that the "bulk of anti-state demonstrations" internationally have been seen in Europe and the former Soviet Union. [...]

In another parallel to the 1930s, the US intelligence director pointed [that]: "The globally synchronized nature of this slowdown means that countries will not be able to export their way out of this recession," he said. "Indeed, policies designed to promote domestic export industries—so-called beggar-thy-neighbor policies such as competitive currency devaluations, import tariffs, and/or export subsidies—risk unleashing a wave of **destructive protectionism**."

It was precisely such policies pursued in the 1930s that set the stage for the eruption of the Second World War.

Blair also raised the damage that the crisis has done to the global credibility of American capitalism, declaring that the "widely held perception that excesses in US financial markets and inadequate regulation were responsible has increased criticism about free market policies, which may make it difficult to achieve long-time US objectives." The collapse of Wall Street, he added, **"has increased questioning of US stewardship of the global economy and the international financial structure."** [...] *(Source: 14.02.09, www.globalresearch.ca/index.php?context=va&aid= 12303; accessed 27.02.09)*

[It is better to end this series of Update with the following quotations:

> In these crises, the contradiction between socialised production and capitalist appropriation ends in a violent explosion. The circulation of commodities is, for the time being, stopped. Money, the means of circulation, becomes a hindrance to circulation. All the laws of production and circulation of commodities are turned upside down. *T*he economic collision has reached its apogee. *The mode of production is in rebellion against the mode of exchange.*

The fact that the socialised organisation of production within the factory has developed so far as that it has become incompatible with the anarchy of production in society, which exists side by side and dominates it, is brought home to the capitalists themselves by the violent concentration of capital that occurs during crises, through the ruin of many large, and still a greater number of small, capitalists. The whole mechanism of capitalist mode of production breaks down under the pressure of the productive forces, its own creations.... On the one hand, ...the capitalistic mode of production stands convicted of its own incapacity to further direct these productive forces. On the other, these productive forces themselves, with increasing energy, press forward to the removal of the existing contradiction, to the abolition of their quality as capital, to the *practical recognition of their character as social productive forces*. — F. Engels, Socialism: Utopian and Scientific]