

There is a strong case also for linking trade liberalisation to the development of trade union rights in countries exporting to us. While not without problems this approach is also not without precedent. The US has operated a social clause in its trading arrangements with the Caribbean. The EC Social Charter is a variation on this theme. During the Uruguay Round the EC and the US have strongly supported the establishment of a GATT Working Party to examine the social clause formula which would link market access to observation of minimum labour standards.

The government is fond of invoking our moral obligations to developing countries as part of its argument for trade liberalisation, but it seems re-

markably disinterested in the fate of those workers who are drawn into the sweatshops of the Export Processing Zones. But does Australian industry and the Australian consumer have an inalienable right to cheaper products if this is a result of exploitation of labour or ruination of other countries' environments? A code of conduct for Australian companies investing and sourcing from abroad could be the foundation for a socially responsible policy on trade liberalisation. ■

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■ COMING, READY OR NOT

Evan Jones argues that a more creative business culture is emerging regardless of the outcome of the tariff debate.

Industry policy is the workhorse of industrial dynamism. This axiom underpins the relationship between the market and the state in the life of national capitalist economies. The nature of an economist's training in the English-speaking world obliterates the comprehension of this simple truth, self-evident to anyone residing in Europe or Asia.

Behind the noisy debate on tariffs, a quiet revolution is occurring. Pockets of business practice in Australia are gradually being transformed. The change is embodied in the intangible aspects of business culture, of business strategy, of workplace organisation within firms and of relationships between firms. Some examples of these developments follow.

1. In 1984 the Victorian government set up an Industrial Supplies Office (ISO) under the auspices of the Employment Ministry. Despite major bureaucratic antagonism and corporate indifference the institution flourished. NSW copied the concept in 1985 and it has since spread to the other states (except WA, where it met with antagonism from the major resource companies). The ISOs provide to companies needing equipment information on the availability of supplies produced within Australia. The ISOs enhance the operation of the market because of massive information disjunctures, and because management and purchasing officers in many companies operate with conventional prejudices that imported equipment is either of superior quality to that produced locally, or is not available locally. It is estimated that the ISOs have been responsible

for import replacement to the tune of \$790m.

2. In 1985 the Victorian Department of Industry developed a scheme to assist heavy engineering firms in that state. It was pursued at state level partly because of fears that a plan mooted for the national level would never be approved by bureaucrats in Canberra. The Companies Development Scheme was an early pioneer in the development of bureaucratic support schemes to reconstruct business culture. Department personnel consulted in depth with management, arrived at mutual agreement on needs, and tailored a package to meet those needs. The scheme aimed (successfully) to entrench strategic planning in the target firms. It introduced a 'key persons' approach to try to redress the manifest deficiency in broad management skills; this subsidised the cost of recruiting and employing for one year a specialist in a particular field. The scheme cost a mere \$5m, and dispensed about \$30-50,000 to about 90 companies. While the Victoria Economic Development Corporation (VEDC) was dispensing considerable sums to companies without safeguards, this unheralded scheme was enhancing cheaply the integrity and dynamism of the heavy engineering industry.

3. More generally, business practices are being assisted by the National Industries Extension Service (NIES). NIES field officers are contract staff, all with technical and/or financial experience in industry. Considerable effort is expended in selecting and training field officers and in the accreditation proc-

ess for consultants. A recent evaluation concluded that companies which had used a 'package' of NIES programs (for strategic planning, product quality, export enhancement and so on) had experienced a qualitative transformation of organisational culture. NIES is costing the federal government less than \$17m in 1992-93, \$11m of which goes to the states (where it is matched) for program delivery. On a median grant of about \$6-8,000, about 6,000 firms have been assisted since the service's inception in 1986.

4. Assisting in reconstruction of business culture at the 'top end' is the Australian Manufacturing Council. The AMC was created in 1985, reconstituted from a moribund coalition body. The meetings of the AMC and (until 1990) its Industry Councils have been a crucial vehicle for the building of consensual workplace politics between the representatives of labour and capital. What went before certainly reflected predictable class antagonisms, but its defensive character was neither conducive to socialist consciousness nor to healthy capitalist workplaces. Despite the buzzword of 'tripartism', it is clear that it has not been organically cemented in Australian industrial politics. It has taken patient and repeated meetings of the captains of industry and labour to effect that change.

Since publishing its report *Global Challenge* in 1990, the AMC has moved to implement its recommendations regarding workplace culture (among other things). It is undertaking a comprehensive survey on recent successful exporters and the lessons to be learnt from those successes. It is co-ordinating a Best Practice program using international benchmarks, in conjunction with the federal Department of Industrial Relations and with NIES. (The 40 recipients to date are committed to publicising its implementation and its results in their plants.) It is co-ordinating tangible programs for the development of inter-firm linkages through networking. The AMC exists on a \$2m annual budget and draws on invaluable voluntary labour from key decision-makers in industry. The AMC has no more love for car tariffs than do free-marketeters, but it is painstakingly trying to effect a productive integration of the local car industry into global structures rather than through the purist zero tariff option of blasting it off the map.

5. The lack of discretion on the part of the management of the subsidiaries of multinational companies has been a major impediment to a more dynamic national economy. The new era is represented by Glaxo Australia. In the space of five years it has achieved autonomy from its British parent and has rapidly expanded research and development expenditure, exports and employment. It has recently formed a joint venture with Faulding & Co for collaboration on new product development. This change is the product not only of assertive local management; it is underpinned by the federal governments' 'Factor P' pharmaceutical industry devel-

opment program, based on the leverage the government possesses as a major purchaser of pharmaceutical products.

6. The Australian economy is damned with massive import bills for elaborately transformed manufactures and capital equipment. Most attempts to drag suppliers of big-ticket items (aircraft) into local sourcing through civil 'offsets' programs have failed. However, after some ministerial pressure some local companies (ASTA, Hawker) are now benefiting from long-term 'strategic agreements' providing components for the global aerospace industry. And after a slow start a complementary program in the information technology sector, Partnerships for Development, is poised to succeed by using a shrewder combination of procurement leverage, stronger threats for non-compliance and flexible firm-specific packages. Oriented in the first instance around information technology companies, the program has gradually achieved more 'mandates' from overseas corporate head offices for locally-based research and development and for exports.

These programs and institutions are directing the reconstruction of business culture in Australia. Their tangible contribution highlights that real-world markets are fragile constructs, and need substantial infrastructural support for their viability. Government 'intervention' rather than its absence, is vital to renewed adequate living standards.

All the programs are relatively cost-effective. All their subsidies are closely targeted, time-specific, and their receipt is subject to considerable hurdle-jumping on the part of the recipients. They could probably all be funded in their entirety by the privatisation of the Industry Commission, whose removal from the public purse would constitute an enormous leap in the intellectual clarity required for coherent industry policy-making. Indeed, the expectation is that such programs will become more cost-effective. A more strategically-oriented business culture and more coherent industrial networks ought to survive on their own profit-driven momentum. Limited industry policy funds would then be free to be applied to 'downstream' applications using lessons learnt from the existing programs.

Finally, these programs have been produced and are administered by branches whose status is low in the bureaucratic hierarchy. They function despite an antagonistic general policy environment. They function despite persistent institutional fragmentation such as continuing deficiencies in capital markets which a predominantly free-market culture promotes.

The industry policy debate in Australia needs to get smart. The sooner it moves from Rattigan-type zealots and their mythical protectionist enemies the better. ■

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