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## Response to Sassen

Peter Rachleff  
*Macalester College*

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## Response

Peter Rachleff

On February 16, 1998, 3,200 railroad workers in Empalme, in the province of Sonora, launched a *paro*, or work stoppage, paralyzing the Pacific North Line, which runs through seventeen states in western and northern Mexico. They were challenging the latest phase in the Mexican government's plan to privatize their state-owned railroad, FERRONALES. Almost a year earlier, the government had sold the Pacific North, a 6,521-kilometer route that services one of the country's major industrial areas—including key factories owned by Ford, General Motors, and General Electric—to a new private company called Mexican Railways, or FERROMEX, which includes the U.S.-based Union Pacific Railroad as a major investor.<sup>1</sup>

FERROMEX had informed the Pacific North workers that it would terminate the labor agreement and rehire only some of the workers. The workers had good reasons to fear the consequences. In 1988, Mexico employed 100,000 railroad workers, but by 1996 that number had fallen to 43,000. In one well-known case, when a consortium, which included the Kansas City Southern Railroad, bought Mexico's Northeast Railway, it retained only 4,500 out of 8,700 workers, cut crew size from six workers to three, extended the maximum continuous service time from twelve hours to forty, and reduced the union contract from 3,045 clauses to 38. In the wake of the FERROMEX buyout of Pacific North, union sources reported instances of extortion—workers being told they could retain their jobs in exchange for payoffs of five to ten thousand pesos (\$625 to \$1250)—and the signing of individual personal-service contracts. It was rumored that the new owners intended to rehire only 2,500 of the railroad's 13,500 workers.

For nearly a year, local unions representing Pacific North workers had fruitlessly tried to negotiate the terms of the transition from state management to private ownership. They received no support from their national union, the Mexican Railroad Workers Union (STFRM), which has long been a creature of the ruling Institutional Revolutionary Party (PRI) and the Mexican state. The state, the PRI, and the union have supported the privatization process.

Even before the sale of Pacific North, a group of rank-and-file workers and local union leaders had created the Committee to Defend the Collective Bargaining Agreement. They organized meetings and

protests against the privatization process, and they established relationships with the Authentic Labor Front (FAT), an independent labor federation, the Jesuit Committee for Labor Reflection and Action (CEREAL), and the Party of the Democratic Revolution (PRD), which recently elected Cuahatemoc Cardenas mayor of Mexico City. They had also become part of a local community coalition in Empalme, the Broad Front of Social Organizations (FAOS). In November 1997, the Committee to Defend the Collective Bargaining Agreement and its allies organized a caravan of 2,000 workers; the group traveled throughout the northern and western states, discussing the privatization issue and distributing literature.

These activities fostered popular understanding of the issues, but neither they nor the negotiations brought the Pacific North workers any protections. And so, in mid-February, the Empalme local voted to launch its work stoppage which was illegal because it had not been called by the official national union or sanctioned by the national labor board.

For three weeks, Empalme, the location of the line's repair shops, was the center of a popular movement that united railroad workers with telephone workers, miners, teachers, students, Yaqui Indians, community organizations, clergy, and even small-town mayors. The strikers and their supporters moved repair buggies onto the tracks in Empalme, threw switches, and set up a human blockade—a *planton*—on the main track. They also maintained a vigil at the shrine of Santo Judas Tadeo, the saint of miracles, along the main highway. So many participated in prayers at this site that truck traffic in the province was also blocked. All this activity was linked together by the *Marcha de la Cazuelas*, the march of the pots and pans, in which thousands of women and children marched through Empalme, banging on pots and pans, the "symbols of hunger and unemployment," according to the sixty-six-year-old widow who led them.

Strike leaders held press conferences and organized demonstrations in Mexico City. They published a newsletter called *El Petardo*—the Firecracker—and distributed it nationally. When the national government responded by handing down felony indictments for the strike's rank-and-file leaders, the strike grew and spread. Other locals in Sonora stopped work, and the state legislature and governor issued statements supporting the workers. Workers in the states of Sinaloa and Jalisco held meetings and engaged in sit-ins, demonstrations, and other forms of protest. In Ciudad Juarez, workers met in "permanent

assembly," announcing their intent to do so until FERROMEX promised to rehire all the Pacific North workers. In another community, machinists threatened to "fix" their machines so they wouldn't work unless all the strikers got their jobs back. In the national legislature, congressmen from the opposition parties demanded an investigation into the privatization of the railroads. Executives of U.S. multinationals urged the government to end the strike one way or another so they could get their shipments moving. Even the national union changed its stance, announcing after two weeks that the strike was official. And in early March, a group of U.S. union officials visited Mexico City and Empalme on a fact-finding mission, making clear their concern that this strike not end with military repression.

After three weeks, an agreement was reached that appeared to protect the workers' jobs and their union contract. The new owner agreed to rehire those workers at the Empalme shops who had not accepted severance and to keep the terms of their contract in force. Whether the owners will live up to their commitments remains to be seen, but the Pacific North struggle has encouraged other Mexican railroad workers to resist the privatization process. Recently, there have been new struggles in Guadalajara and on the Chihuahua-Pacifico line. And the Puerto Rican telephone workers looked to the Mexican railroad workers' experiences as they struggled against the sale of their state-owned enterprise to GTE this summer.

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The causes of the Pacific North protest graphically illustrate the political and economic dynamics that Dr. Sassen has analyzed here (and in much of her previous work), while its course and outcome suggest the range of strategies available to labor movements in this new global arena.

Dr. Sassen challenges us to resist the simple duality of "the national" and "the global." She argues that the impact of economic globalization on the national state has not occurred in a zero-sum fashion. While the national state has undergone a certain reduction in sovereignty in favor of supranational institutions — such as multinational corporations, capital markets, financial institutions, the World Bank, and the International Monetary Fund — and human-rights organizations, it also has reshaped its domestic roles to include the facilitation, accommodation, and legitimation of the globalization process

itself. It has deregulated enterprises within the national economy and privatized state-owned enterprises, thereby opening national economies for international capital. As a result of these processes, she argues, the production of goods and services has been decentralized or geographically dispersed, while the control over production has been centralized. Specific “global cities” — within specific national states — emerge as the sites where this centralized control is exercised, serviced, and protected.<sup>2</sup>

Mexico’s entry into the global economy has been prompted by the International Monetary Fund and implemented by its own national government. Under a series of IMF conditionalities established in 1982, 1986, and 1989, the Mexican government adopted as its own IMF plans for trade liberalization, privatization, and deregulation. Despite the consequences for Mexican citizens, the government has stayed on this course. Investment in education, research and development, and infrastructure plummeted. In the decade following 1982, infant deaths due to malnutrition tripled; the minimum wage (adjusted for inflation) fell by 60 percent; and the percentage of the population living in poverty increased from 48.5 percent to 66 percent. After the passage of the North American Free Trade Agreement (NAFTA), the plunge in workers’ conditions continued. Between 1993 and 1995, manufacturing wages fell another 30 percent!<sup>3</sup>

In 1995, the Mexican economy entered its worst depression in sixty years, and the government turned to the IMF and the U.S. Treasury for “help.” In exchange for bail-out funds, the government agreed to pursue further the policies of “structural adjustment” — cuts in government-provided social services, the suppression of wages, and additional privatization and deregulation. Although Mexico has not defaulted on its loans and foreign investment actually has increased, in the past three years, more than 20,000 small and medium businesses — one-third of all Mexican businesses — have gone into bankruptcy; 1.8 million peasants have left home in search of work; two million jobs have disappeared and the official unemployment rate has exceeded one-third; and the minimum wage buys only one-third of what it did in 1981.<sup>4</sup>

The privatization of the Mexican railroads was a central plank in the economic program promoted by the World Bank and the IMF and enacted by the Mexican national government. The process began in 1992 when FERRONALES subcontracted shop work and services to firms owned by French, English, U.S., and Canadian capital. The new

employers sharply reduced the workforces employed and, on the whole, reduced workers' wages and benefits. The subcontracting of shop work violated Article 28 of the Mexican Constitution, which specified that strategic industries such as the railroads must be exclusively owned and managed by the Mexican state. In January 1995, the Mexican legislature modified Article 28 so that railroads were no longer considered to be a strategic industry.<sup>5</sup>

The next stage entailed cutting up FERRONALES, the Mexican National Railway, into five separate regional lines: the Northeast, the Pacific North, the Southeast, the Northern Line, and the Mexico City rail yards. On December 5, 1996, the Mexican government sold the Northeast Railway to Mexican Railway Transportation, a consortium that included the Kansas City Southern as a 49 percent shareholder. With the approval of the Mexican labor authorities — state agencies and the PRI-dominated national union — the workers were fired, and the collective bargaining agreement was nullified. The workers were allowed to reapply for their jobs, but without their previous pay, benefits, or seniority. Nearly half of them—4,200—were never called back.<sup>6</sup>

The privatization of the Pacific North line — its sale to FERROMEX — was the next stage in the process. Although the workers' struggle softened the impact of the sale, it did not prevent it. Yet the struggle has also inspired other Mexican railroad workers to resist the privatization of their lines. It has certainly politicized a process that once occurred mostly behind closed doors; it has given workers and communities the idea that they can have an impact on these economic processes; and, by bringing U.S. railroad unionists into the picture, it has introduced the possibility of organizing an international response to this sort of economic globalization.

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The course of the privatization of the Mexican railroads vividly illustrates Dr. Sassen's argument that the national state is an active agent in the process of economic globalization and that its agency serves to facilitate and legitimize the very processes that might damage the economic well-being of its constituents. Its powers — political, ideological, legal, and even military — have served the interests of influential Mexican and transnational corporations. At the same time, supranational organizations — the World Bank, the International Monetary Fund, global capital markets, banking institutions — have exercised their own

powers to further the agenda not merely of economic globalization, but also of a globalization based on principles of private profit, the accumulation of wealth and privilege, and the economic gain of particular parties at the expense of others.

The Mexican railroad story tells us something else, as well, something that Dr. Sassen's work rarely explores: it is possible for workers and local communities to impose their values and their will in this process, at the very least mitigating it and, potentially, altering its direction. The Pacific North struggle suggests that, to succeed, such battles must be simultaneously local and global; they must reach deeply into a community, finding allies and building coalitions with all the social groups and economic interests that stand to lose in this particular form of economic globalization; and they must stretch across national borders, making new contacts and constructing new networks that go beyond symbolism to express genuine economic power. In short, workers can build their own supranational organizations to compete with or counterbalance those already constructed by capital. Interestingly, a new, transnational labor movement can adopt some of the very vehicles of the new globalization studied by Dr. Sassen—the networks of transnational corporations, the new technologies of communication, the new flows of immigration.

Although the Pacific North railroad workers focused their energies in their own communities rather than across national borders, they did begin to forge a bond with U.S. transportation-union activists that is sure to strengthen as the rail and highway systems linking Mexico, the United States, and Canada become more integrated. In July 1998, Salvador Zarco, the leader of the Committee to Defend the Collective Bargaining Agreement, was the featured speaker at the central regional conference of the United Transportation Union in Houston, Texas, where he was warmly received by 500 rail-union activists.<sup>7</sup>

Such a project would not involve venturing into totally uncharted territory because other groups of workers already have sketched out possible maps. Over the past decade, members of United Automobile Workers Local 879 at the St. Paul, Minnesota, Ford truck-assembly plant have developed a close relationship with their counterparts in Cuatitlan, a suburb of Mexico City. Rank-and-file activists have traveled back and forth, enjoyed visits in each other's homes, and coordinated demonstrations to put pressure on their shared employer. In the past four years, Teamsters Union members at the Minneapolis Honeywell plant and across the United States have organized support for

Honeywell workers at the Juarez plant, demanding that the Mexican government uphold its laws protecting the rights of workers to organize and to select their own unions. A growing list of U.S. unions have sent officers and members on trips to Mexico to meet with workers employed by the same company with the goal of devising mutually beneficial strategies. An Indiana local of the International Union of Electronic Workers recently participated in making a documentary video about their trip, which is being shown around the country. The United Electrical Workers have built a particularly close relationship with FAT, the Authentic Workers Front, an independent union federation in Mexico that challenges the power and legitimacy of the PRI-dominated Confederation of Mexican Workers. And several U.S. unions supported the Han Young workers in Tijuana, who produce auto parts for Hyundai operations in the United States and who have been stymied in their efforts to organize an independent union.<sup>8</sup>

Interestingly, many of these efforts rely heavily on what Dr. Sassen considers a key element of the global economy, the Internet. Labor activists have appropriated this tool not only to disseminate information, but also to promote communication, to generate letters, faxes, and e-mails of protest to corporate officials, and to mobilize workers and supporters in diverse communities to boycott products or even picket offending employers. In 1998 alone, the Internet provided a means for activists across the United States to protest the treatment of Han Young workers, for Canadian and U.S. activists to picket a British ship that had been loaded by scabs in Liverpool, and for California dock workers to support their Australian counterparts.

At the beginning of her essay, Dr. Sassen warns: "Two notions underlie much of the current discussion about globalization. One is the zero-sum game... The other is that if an event takes place in a national territory it is a national event." Our brief excursion into the arena of labor struggle reveals that, first, globalization does not even create a zero-sum game between capital's power and labor's power, and the vehicles and tools built by capital may well be turned against it. And, second, even labor struggles taking place within a national territory no longer can be understood—or dealt with—as national events. Perhaps Karl Marx's famous dictum—"Workers of the world unite. You have only your chains to lose!"—belongs to our future rather than our past.



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**Notes**

1. My account of this struggle is drawn from *Mexican Labor News and Analysis* III: 5 (2 March 1998), which can be accessed at [HTTP://www.igc.org/unitedelect/](http://www.igc.org/unitedelect/); Dan LaBotz, "Mexican Rail Workers Strike Against Privatization," *Labor Notes* #229 (April 1998); Dan LaBotz, "The Mexican Rail Worker Rebellion," *BMWE Journal* 107, no. 4 (May 1998); and personal communications from Dan LaBotz, who visited Empalme in March 1998, to meet with strike organizers and participants.
2. Saskia Sassen, "Embedding the Global in the National: Implications for the Role of the State," paper presented at International Roundtable, Macalester College, October 1998. Also, see Saskia Sassen, *The Mobility of Labor and Capital* (New York: Cambridge University Press, 1988); *The Global City: New York, London, and Tokyo* (Princeton: Princeton University Press, 1991); *Losing Control? Sovereignty in an Age of Globalization* (NY: Columbia University Press, 1995).
3. Jeremy Brecher, "The IMF Model of Globalization Has Failed," unpublished paper, February, 1998, in author's possession. Brecher has published some of his important arguments in *Global Visions: Beyond the New World Order* (Boston: South End Press, 1991) and *Global Village or Global Pillage: Economic Reconstruction from the Bottom Up* (Boston: South End Press, 1994). For more particular analysis of the impact of these policies in Mexico, see Dan LaBotz, *Mask of Democracy: Labor Suppression in Mexico Today* (Boston: South End Press, 1994).
4. Brecher, "The IMF Model of Globalization Has Failed."
5. LaBotz, "The Mexican Railroad Worker Rebellion."
6. Ibid.
7. "Working Together," Newsletter of the Minnesota Fair Trade Coalition, August 1998.
8. Kim Moody, *Workers in a Lean World* (London and New York: Verso, 1997); Cyrus Bina, Laurie Clements, and Chuck Davis, eds., *Beyond Survival: Wage Labor in the Late Twentieth Century* (Armonk, N.Y.: M.E. Sharpe, 1996); Kim Moody and Mary McGinn, "Unions and Free Trade: Solidarity vs. Competition," *Labor Notes* (Detroit: 1992). To get an idea about how U.S. unions have been their own worst enemies in the past, see Daniel Cantor and Juliet Schor, *Tunnel Vision: Labor, the World Economy, and Central America* (Boston: South End Press, 1987) and Charles Berquist, *Labor and Course of American Democracy* (London and New York: Verso, 1996).