

**GLOBALISATION, LABOUR ISSUES AND
CIVIL SOCIETY IN APEC**

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AUSTRALIAN APEC STUDY CENTRE, MELBOURNE

SATURDAY, 18 SEPTEMBER, 1999

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NOTE

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1. Introduction

The issue of labour rights in trade policy discussion can be both emotive and widely misunderstood.

This is partly due to political tactics but also due to the broad nature of the subject. In my address this morning I want to provide some brief personal views on the issues at hand and make some suggestions as to how they could be discussed in the Asia Pacific Economic Cooperation (APEC) context.

2. Background to the Debate

The protection of the rights of workers has historically been in the domain of national, state and local governments.

For instance, Australia and New Zealand has a proven tradition of providing legislation protection for workers in terms of minimum wages, working hours legislation, health and safety, equal pay etc. In fact, much legislation was passed by *colonial* rather than national governments before Federation. (Both New Zealand and the colony of South Australia were pioneers of arbitration and other socially progressive developments like votes for women.) The industrial issues were typically dealt with through domestic legislation.

However, in recent years with increasing integration of national economies (often termed 'globalisation') there has been discussion of how to deal efficiently with differences in national labour legislation.

This is not entirely new of course; the International Labour Organisation (ILO) was founded in 1919, at the Treaty of Versailles (along with the League of Nations, which did not last as an institution).

The ILO was established to promote and raise labour and social standards with a means to advancing social justice and ensuring world peace. The ILO in its 80-year existence has encouraged and assisted member countries in satisfying labour standards. The ILO does this through the International Labour Conference and the ILO Governing Body, which operates on a tripartite basis.

Whilst there has been significant ILO activity since its inception, the integration of national economies in the 'globalisation' debate, has increased attention on the global dimension of labour legislation. Labour advocates have been concerned over the impact of globalisation on labour standards. They have argued in a 'globalised' economy that if the rules governing businesses are being internationalised (to protect property rights) then similarly the rules governing work should also become internationalised (to protect labour rights).

The globalisation issue overall is complicated. There are a number of divided camps on both 'sides' of the issue.

Two authors stand out in my view. One is Harvard University's Dani Rodrik who presents good economic reasons for supporting social protection in an open economy. Another is

Thomas Friedman, of the New York Times. In Friedman's recent best selling book on globalisation, titled 'Lexus and the Olive Tree' he divides the debate into pro and anti-globalisation groups and pro and anti-social safety netters. He provides examples amongst US politicians ie:

- Bill Clinton (Integrationist/Social Safety Netter)
- Dick Gephardt (Separatist/Social Safety Netter)
- Ross Perot (Separatist/ Let Them Eat Caker)
- Newt Gringich (Integrationist/Let Them Eat Caker)

The Friedman characterisation of the sides to the globalisation debate may be oversimplified but it does grab your attention (as does Friedman's story telling ability in his book). Rodrik's book, whilst more analytical, is also useful as it shows that countries with strong safety nets and democratic traditions are the most successful in terms of export expansion and overall international competitiveness.

I now want to discuss the labour rights issue in the context of the World Trade Organisation (WTO) and APEC.

3. WTO and Other Trade Agreements

Since the inception of the General Agreement on Tariff and Trade (GATT) in 1948, the international trade union movement has attempted to place labour standards on the international trade agenda. This was to ensure that countries did not undertake a 'race to the bottom'. Australian unions have supported the International Confederation of Free Trade Unions (ICFTU) in their campaign for a 'social clause' – that is providing access to trade agreements on the basis that nations meet 'core labour standards' set by the ILO. The issue of the social clause also faces opposition because it is regarded as 'protectionist' by developing countries who regard low-cost labour as their only 'comparative advantage'. Also, the threat of trade sanctions is controversial (even if it is only a last resort) because of uncertainty concerning how it would be enforced (and who would enforce it).

The Australian Council of Trade Unions (ACTU) was successful in lobbying the previous Labor Government on setting up a Tripartite Working Party on Labour Standards in the Asia Pacific region. However, for the most part both Australian governments have not supported labour standards provisions in the WTO. Australia has been hamstrung by its size and lack of bargaining strength in world trade and its geo-political need to 'fit in' with Asia, despite historical differences. It cannot use trade policy as leverage in the same way as the US, given there is no Generalised System of Preferences (GSP) but a need for Australia to retain Asian markets for export. Australia is a small voice in the WTO and supports the multilateral trade system as being in Australia's national interest.

In the forthcoming 'Millennium Round' in Seattle, labour standards and environment are expected to be raised again by the US and some European Union (EU) nations.

David Robertson of the Melbourne Business School has urged that Australia reject the US's position of labour rights and the environment.

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He writes:

“One of the biggest barriers to launching a new WTO round is the US commitment (with some EU support) to incorporate the environment and labour standards into the negotiations. This is not in Australia’s interest, because trade measures to enforce policy objectives for reasons of environmental protection or for labour standards would dilute trade liberalisation and open new excuses for protectionism. They should also be rejected on analytical grounds; firstly because trade policy is a second best instrument for dealing with externalities (market-failure), and secondly because wage rates depend on productivity and wage costs are not the principal determinants of relative prices. In both cases economic instruments that act directly on the problem should be employed.”

[see Robertson (1999) p21]

Whilst I have some sympathy with the first argument that trade policy is second-best (even though alas, we don’t live in a world of first best solutions). I have a problem with the second. The argument for the inclusion of labour standards does not refer to wage rates. It is about core labour standards as outlined not the import of first-world labour costs on developing countries. Commentators discussing the trade-labour debate continuously misunderstand this. Sometimes, it is done so through lack of knowledge, sometimes I think it is done so deliberately in the cut and thrust of debate.

In this regard it is important to be clear about what labour standards are. Of the various labour standards formulated by the ILO, four are regarded as “core” labour standards. They are:

- Freedom of Association and the Right to Organise and Bargain Collectively (ILO Convention Nos 87 and 98);
- Discrimination in Respect of Employment and Occupation (Nos 111 and 100);
- Freedom from Forced and Compulsory Labour (Nos 29 and 105);
- Minimum Age for Employment, or Freedom from Exploitative Child Labour (No 138).

A fifth standard ‘The Right to Work in a Safe Environment’ (No 155) is ‘promotional’ or ‘technical’ (ie flowing on from core standards). Some of the standards emanate from UN Conventions on Civil and Political Rights (Articles 8 and 10), Anti-Slavery (1926 and 1956) and the Rights of the Child (32.1).

Outside the WTO, unions in other countries have used trade agreements to protect labour standards. Key examples are the North American Free Trade Agreement (NAFTA) and the EU’s ‘Community Charter for the Fundamental Social Rights of Workers’ (the ‘Social Charter’). Assessments of NAFTA and the ‘side agreement’ on labour standards have not been positive. *[see Bronfenbrenner (1997) in T Harcourt (1999)]*

In our part of the world, the Closer Economic Relationship (CER) agreement between Australia and New Zealand contains no side clause on labour, even though the unions do cooperate occasionally in industrial campaigns, such as in the airline industry. In terms of the EU Social Charter, Australia has no equivalent but unions have looked closely at their European counterparts in terms of social and labour adjustment *[see Public Services International, 1997 in T Harcourt (1999)]*.

Another instrument supported by the Australian unions and consumer groups has been the Codes of Conduct. Part of the ICFTU's approach in trade policy has been to encourage the adoption of such codes as investment in the global economy. Examples include the promotion of the ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and various consumer-union codes involving multinational companies like Reebok, Nike and Levi Strauss. Whilst many of the guidelines are voluntary, some that target a company's market and image as a good 'corporate citizen' can have some effect [*see Commonwealth of Australia, 1996:14-17*].

Employer groups have traditionally supported core labour standards but have argued that the ILO is the appropriate institution to enforce them rather than the WTO or other trade policy fora.

4. APEC

It has been argued that because of the WTO's formal negotiating status and binding legal structure that it may be difficult to include labour standards in the proceedings. However, it has been argued that APEC would be a more suitable forum than the WTO. This is because of the consensus style of the APEC concept.

As APEC's co-founder, Bob Hawke has written:

"APEC was not envisaged as a body that could impose its will on member countries but rather by relying on the collective and shared experience of those members it would offer co-operative and mutually agreed programs that would promote sustainable and equitable economic growth."

[Hawke in Harcourt (1998)]

This was also the view of the Tripartite Working Party on Labour Standards (the Duffy Report) which noted:

"While it was acknowledged that, at present, such discussion would meet resistance from APEC members, the Working Party believes it would be important to gradually work towards an acceptance of the legitimacy of core labour standards. Within the consensus-style decision-making essential to APEC's operations, the Australian Government should play a positive role in encouraging its APEC counterparts to move towards a constructive dialogue on core labour standards."

[Commonwealth of Australia (1996), p72-3]

In 1998, I was commissioned by the ILO to write a report on the Labour Agenda for APEC. I found that there was not much research available on labour issues in APEC although the ICFTU had played a leadership role in forming the Asian Pacific Labour Network (APLN).

The following recommendations were made:

Recommendations for the Labour Agenda

- Formal recognition of the ICTU Asia Pacific Labour Network (APLN).
- Eminent Persons Group (EPG) on Social development in APEC.
- Code of Conduct on the Treatment of Migrant Workers.
- Technical assistance on Occupational, Health and Safety (OHS).
- APEC Social Fund.
- Protocol on Discrimination.
- APEC Education and Training Co-operation.
- APEC dialogue on Core Labour Standards.
- Technical assistance on trade union recognition, conciliation and arbitration and “industrial relations infrastructure”.
- Social protocol to Non-binding Investment Principles.
- APEC Social Dimension Working Group.

They are discussed in detail in Harcourt (1998) and are summarised below:

Formal Recognition of APLN

The APLN should be recognised within the formal structures of APEC. There is an APEC Business Forum already established so it is appropriate to have an APEC Labour Forum too. This would be on the spirit of ‘tri-partitism’ in having government, business and labour working together on APEC issues. Such tri-partitism operates successfully in the ILO as it also used in a number of national economies.

The APEC process often benefits from policy ideas generated by the Pacific Economic Cooperation Committee (PECC). PECC is an informal grouping of academics, business people and government officials who meet in an unofficial capacity to develop policy ideas for market economies. Unfortunately PECC has defined tri-partitism as consisting of governments, business and academia with no role for labour. There is no reason why academics should be excluded, especially given PECC’s role as a generator of ideas, but APEC tri-partitism should include labour representation as equal partners with government and business.

Eminent Persons Group (EPG) on Social Development in APEC

The reports of the EPGs have great impact on setting the APEC agenda. Because of the severity of the Asian financial crisis and the perception that APEC is merely a device for trade liberalisation and narrow economic criteria, it is timely to have an EPG report on Social Development in APEC. The EPG report should include the issues of core labour standards, labour market adjustment, unemployment, income inequality, poverty alleviation, social safety nets and social protection, education and training, Human Resource Development (HRD) and the importance of democracy and civil society.

The EPG on Social Development could be commissioned to report to the APEC Leaders Summit. The membership of the EPG should reflect the diversity of the region and bring the

necessary skills and leadership expertise in both international economic policy and industrial relations/labour policy issues. The EPG could be drawn from a pool of former heads of government, trade unions, business, academia and community groups. The EPG would need to have a balance in terms of nationality, industrial background (eg trade union, employer, government etc) and specialist knowledge of international institutions such as the ILO, WTO, World Bank, International Monetary Fund (IMF), and the Asian Development Bank (ADB).

Code of Conduct on the Treatment of Migrant Workers

The treatment of migrant workers is an important international labour market issue around the world and particularly in the APEC region. There are many migrants working as guest or temporary workers in construction and domestic service in the APEC region. Migrant workers are often subject to discrimination and harassment by their employers. APEC could convene a regular forum of its member country Ministers of Labour and Immigration to draft a 'code of conduct' on the treatment of migrant workers. The code could include items such minimum standards, anti-discrimination, portability of entitlements etc.

Technical Assistance on Occupational, Health and Safety

Occupational, Health and Safety is an important issue for workers in all countries whatever their state of economic development. Unlike some other labour standards, safety standards often have universal application. For instance, (dangerous) chemical X will equally hurt an American worker as it would a Malaysian or a Thai worker. For this reason it would be possible for APEC to develop a code on minimum safety standards for workers and together with the ILO provide technical assistance to implement these standards in developing economies. This would enable input from trade union and employer experts on OHS.

APEC Social Fund

Changes in the world economy have important labour market implications. In a number of APEC economies there is unemployment, underemployment and inequality across regions – particularly in countries with large rural populations. Many APEC members operate government administered social funds that provide region assistance and labour market programs with education, employment and training components. APEC should consider whether an 'APEC Social Fund' could operate on a regional basis. A study of how the national funds operate would be the first step in the project that would involve APEC member Ministers for Labour, Education, Training, Human resource Development (HRD) and Social Security. Technical assistance could also be provided by the ILO, World Bank and ADB.

Protocol on Discrimination

Labour market discrimination is an economic problem as well as a social problem. If an employer undervalues a worker's worth because of their race or gender then it is not only a problem for the worker but it also means that society is missing out as the worker could be in a job where they are better valued. Overall, discrimination leads to an under-investment in human capital and it means that the economy is not as productive as it could potentially be. Accordingly APEC could assist in the minimisation of discrimination in the workplace by developing a protocol on discrimination to be negotiated by all APEC Ministers of Labour.

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This could be done with ILO assistance. APEC, together with the ILO, could commission select studies on the labour market problems of women, indigenous people and rural populations.

APEC Education and Training Co-operation

The development of human capital in APEC is the key to the region's productivity and future economic development. APEC should continue to encourage co-operation in education and training through the HRD Working Group. As noted by the analysis of the World Bank (1995) and the OECD (1996), trade unions have an important role to play in raising education, skills and productivity. APEC should formally invite the APLN representation into the HRD process and draw on the expertise of trade unions and employers in education and training.

APEC Dialogue on Core Labour Standards

APEC, given its non-binding status would be a good place for a multilateral discussion on labour standards to begin. As a related measure, APEC could make acceptance of new entrants conditional on their commitment to core labour standards. To further this process the ILO be invited to assist APEC on a regular basis to implement core labour standards. Core labour standards should be included in assistance packages developed by international financial institutions, the IMF, World Bank and ADB.

Technical Assistance on Trade Union Recognition, Conciliation and Arbitration and "Industrial Relations Infrastructure"

Many developing countries are dealing with the establishment of emerging democratic institutions including free independent trade unions. As this is a new experience for some economies, APEC should support the provision of technical assistance of the mature industrial economies on freedom of association, development of trade union structures, employer associations and industrial tribunals.

Developing a nation's industrial relations infrastructure can often be more successful with overseas assistance from developed economies. For instance, in an ILO co-ordinated project members of the Australian Industrial Relations Commission recently assisted in the establishment of the industrial relations act and national industrial tribunal in the post-apartheid South Africa. Similar projects could be set up in order for richer APEC members to help poorer ones. APEC could oversee this development in combination with the ILO.

Social Protocol to Non-binding Investment Principles

The Non-binding Investment Principles established by APEC in Indonesia in 1994 only refer to health, OHS and environmental regulations. The principles should be expanded to make reference to the ILO's Tripartite declaration of Principles on Multinational enterprises. APEC should encourage Multinational Enterprises (MNEs) to negotiate codes of conduct with APEC members and the APLN so that the region receives the benefits of international investment and minimises the negative effects.

There are some constraints on APEC's labour agenda in terms of labour organisation independence, anti-labour political forces, resources and domestic priorities and the overall 'backlash' against globalisation. The 'backlash against globalisation is a key consideration.

One key aspect of Harvard economist Dani Rodrik's book "*Has Globalisation Gone Too Far?*" is the domestic political groundswell against globalisation and trade liberalisation in both industrialised and developing countries. This has only been accentuated in Asia during the currency crisis. Anti-globalisation movements has sprung up in all countries. Often these sentiments are accompanied by anti-immigration views (such as Pauline Hanson's 'One Nation' party in Australia).

This backlash has occurred within the labour movement itself. For example, in the case of Australia, many unions have been hit hard by trade liberalisation and economic restructuring due to the opening up of the Australian economy in the 1980s and early 1990s. Some unions, as a result, have started to campaign against trade policy institutions like the WTO and APEC. Some would argue that there should not be any involvement in APEC (through the APLN or any other avenues). They argue that the unions should campaign against APEC, as have some Non-Government Organisations (NGOs) and environmentalist groups. On the other hand other trade unionists have argued that globalisation is a fact of life and that unions are better off trying to shape the globalisation agenda and influence international economic institutions. They see opposing all and sundry from the outside as an ineffective and irresponsible way of representing workers whose livelihoods depend on the international economic system. These unionists argue that it is better to have a trade union voice in APEC using arguments such as "*...there can be no free trade without free trade unions..*" or "*better to have social protection than trade protection.*" In fact these arguments are supported by empirical evidence presented in Rodrik (1997). His analysis shows that economies with more open economic regimes tend to have higher rates of unionisation and social protection.

There is also the North/South dimension to the debate.

Much of the debate about labour standards in the WTO (the 'social clause' debate) focuses on the interests of workers in the 'North' and the 'South' (ie the developed and developing countries). The argument often made is that trade union support for a social clause has not emerged for altruistic and internationalistic reasons (concern about child labour etc.) but for selfish, trade protectionist reasons (protecting workers jobs in the north). Some of the evidence on the effect of trade on North-South wages by economists such as Adrian Wood has stemmed from this debate [*see Wood (1995) in T Harcourt (1999)*]. However Ajit Singh (1997) has disputed this scenario and has argued that "*... the first-best solution is for the two regions to cooperate by following positive-sum solutions which help to create employment in the North as well as in the South in a virtuous circle of cumulative causation. These policies, whose essential core is trend increase in the rate of growth of real world demand and output, can in principle not only lead to full employment with rising real wages in the North but can also help the South to provide the jobs required for its rapidly expanding labour force.*"

[*Singh, 1997, p406 in T Harcourt (1999)*]

The 'North-South' divisions need not be a constraint to the labour movement agenda in APEC. Because of the diverse nature of the labour movement in the region the APLN should be able to adequately represent the views of workers from both rich and poor countries in APEC. If trade unions support universal human and trade union rights, regardless of a country's trade

position, then it will avoid the tag of protection. Unions in the ‘North’ should also be mindful that activists in the ‘South’ are calling for more democratic claims that their actions would hurt the ‘South’. After all, trade unions were told that throughout the apartheid era in South Africa by British Prime Minister Margaret Thatcher and her (few) allies. Interestingly, the main supporters of the social clause outside the US and the EU have been Nelson Mandela and his successors in South Africa.

5. The Impact of the Asian Financial Crisis

The Asian Financial Crisis has changed the dynamic of the debate sharply. The fallout from the crisis has exposed the need in several Asian countries for social safety nets. With retrenchments, unemployment, underemployment, no effective wage structure and no social security system in place it is no surprise that there has been political instability particularly in Indonesia, Malaysia and Korea.

Some may argue that the Asian financial crisis inhibits the agenda for labour standards in APEC. The need for the economies worst affected by the crisis to regain the confidence of the international financial markets is said to be paramount. However, on the contrary, the Asian financial crisis could be seen as a window of opportunity for democratic and economic reform. Democratic reform, coupled with the provision of social safety nets and recognition of core labour standards can bring social and political stability to the countries hurt by the crisis. This not only helps the people suffering from the crisis, but would also satisfy the financial markets who are fearful of any sign of political instability. This point was recognised by the IMF’s Managing Director, Mr Camdessus, himself in his calls for:

“...social protection for the poor, the unemployed and other vulnerable groups...a more effective dialogue with labour and the rest of civil society – to increase political support for adjustment and reform and to ensure that all segments of society benefit from the resumption of growth, while core labour rights are protected.”

[Camdessus (1998) p3 in T Harcourt (1998)]

The Asian financial crisis illustrates the importance of core labour standards for democratic reform, political stability and sustainable economic development. Furthermore, business confidence will largely depend on political stability and social cohesion. Accordingly, it is in the interests of both business and labour to work for more democratic institutions in APEC.

6. Conclusion

In conclusion, thank you for the opportunity to put some personal views on the important issue of labour rights and trade.

The issue is emotive and difficult. Many sides to the debate are well intentioned, others less so. Social justice for workers and economic internationalism are both desirable objectives – it is a question of what can be done pragmatically so they don’t clash with each other. It is important too that we don’t confuse ends and means. We are for free trade as a means of improving living standards not as an end in itself. Similarly, we are for social safety nets and

labour legislation provided they improve peoples' living standards. The right combination of an open trading regime and social protection in the labour market, I believe is available to us. In this regard I am influenced by both the Friedman Integrationist/Social Safety Net analysis and by the evidence provided by Rodrik that countries with well-developed safety nets do better in open trading regimes.

If globalisation leaves too many people behind, I fear that we will face a return of isolation and protectionism. Accordingly, I support measures that will ensure openness, stability, accountability and fairness to improve public support for our national and global economic institutions.

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