

# **APEC'S LABOUR AGENDA: NEGOTIATING THE FUTURE**

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**Foreward by Hon. R.J.L. Hawke, A.C.**

**A Paper by the International Labour Organisation**

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## A Paper for the International Labour Organisation

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group assisted in the establishment of APEC.

It is now almost a decade since I made the Seoul speech in January 1989. APEC has made some progress with respect to trade liberalisation commitments and other practical achievements in its extensive work program to enhance effective economic co-operation between member countries. The APEC Leader's Meetings are a major event on the international economic calendar. Australia, as a medium economic power on the world stage can take some pride in being the APEC founder and a major driver of APEC initiatives.

However, the recent Asian financial crisis has clearly affected the previously optimistic outlook in the region and creates a greater challenge for APEC as an institution. The crisis has had a profound effect on the people of APEC member countries with rising poverty, unemployment, underemployment, falling real wages and drastic declines in family income. APEC, as a body promoting economic co-operation in the region, needs to assist member governments in their task of alleviating the social and economic impacts of the crisis. As it was originally intended, APEC must be more than a body concerned solely with trade policy. Regional co-operation is needed on social issues too. This is important to ensure that the economic growth of the Asia Pacific region benefits all members of society in APEC member countries. This will help to ensure that countries do not retreat back into protectionist and isolationist solutions.

Regional co-operation on social issues must include the labour market. The 1.3 billion workers of the region create its wealth and must be included in the APEC process to ensure further economic growth and a fair distribution of the benefits of the APEC process. The problems of poverty, unemployment, falling real wages, worker exploitation and discrimination need to be addressed for the sake of the region's stability and future prosperity. Accordingly, I welcome this International Labour Organisation (ILO) report by Tim Harcourt of the Australian Council of Trade Unions. It is important that APEC member countries work together to promote labour standards and social development in the region. The APEC processes would be assisted by the expertise of trade unions, employer associations, member governments, and by the wide experience and technical assistance of the ILO over its 79 year history. The recommendations bring some practical suggestions on labour standards, migrant labour, occupational health and safety, and other aspects of social development that should be part of the next APEC agenda.

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.

This report is shaped within that conceptual framework and I welcome it as an important contribution to the APEC agenda as we enter the next millennium. By addressing the issues raised in this report, APEC member countries will enhance the economic and social progress of their own societies and in turn strengthen regional economic co-operation and the prosperity and stability of the Asia Pacific Region.

R.J.L.HAWKE  
Prime Minister of Australia, 1983-91

## 1. Introduction

The Asia Pacific Economic Co-operation (APEC) forum was formed in November 1989 in Canberra, Australia from a concept originally proposed by then Australian Prime Minister, Bob Hawke in a speech in Seoul, Republic of Korea in January of that year. APEC is a relatively informal, non-negotiating forum, encompassing a diverse range of member economies in the Asia Pacific region. APEC has primarily been concerned with the promotion of free trade and investment but has also extended its agenda to other forms of economic co-operation on a consensus and voluntary basis. For instance APEC demonstrated its ability to adapt to a changing world economic environment at the November 1998 Kuala Lumpur Leaders' Meeting, when it devoted most of its time to drawing up a package of measures to respond to the Asian economic and financial *crisis*.

The APEC forum has provided an agenda for governments and business to promote their ideas on economic co-operation in the Asia Pacific region. However, to date there has been little discussion of the role of trade unions and labour standards in APEC. This paper analyses the labour dimensions to economic co-operation in the Asia Pacific region. This paper is in five parts.

Firstly, some background to APEC is provided in terms of APEC's history, objectives and processes. It is important to understand APEC as a relatively new international economic institution, which is still developing its role in world affairs.

Secondly, the paper provides an introduction to industrial relations and labour markets in APEC. This is not an exhaustive account, given the size and diversity of APEC but a snapshot of significant labour market developments in several APEC countries.

Thirdly, the paper discusses how the labour movement in the region has responded to APEC. This includes the formation of the ICFTU Asia Pacific Labour Network (APLN) in 1995 and efforts by national trade unions to include themselves in the APEC agenda in areas such as economic policy and human resource development.

Fourthly, the paper makes recommendations on how APEC should evolve from a trade union perspective. This includes some practical policy suggestions for instance, on problems such as occupational health and safety and treatment of guest workers. This section also discusses the importance of labour standards and the International Labour Organisation in the Asia Pacific region.

Fifthly, the paper outlines future obstacles to the regional labour movements' progress in APEC. This includes the diversity of the trade union agenda in APEC, the attack on labour standards in developed countries in APEC (as well as developing countries), and the implications of the current Asian financial crisis for labour standards in the Asia Pacific region.

## 2. What is APEC?

### 2.1 The APEC Concept

APEC is a non-binding consensus grouping of nations in the Pacific Rim that aims to assist economic integration and co-operation in the Asia Pacific region. Its role in trade and liberalisation has gained much public prominence but it has attempted to expand its agenda in the other forms of economic co-operation. The member countries of APEC are listed in Box 1 below.

#### Box 1 APEC Member Countries

Date of Entry to APEC	Member Country
1989 (Original Members)	Australia, Japan, Republic of Korea, New Zealand, USA, Canada, Indonesia, Malaysia, the Philippines, Thailand, Brunei Darassalam, Singapore
1991	PRC, Taiwan, Hong Kong
1993	Mexico, Papua New Guinea
1994	Chile
1997	Russia, Peru, Vietnam

The APEC concept was first advanced by Australian Prime Minister Bob Hawke<sup>1</sup> in a speech delivered in Seoul, Republic of Korea in January 1989. As noted by Hawke himself, after the 'concept' of APEC in Korea ... "There followed an intense period of diplomatic activity and a little over the normal gestation period the infant was delivered in Canberra in November." [Hawke, 1992: p.339]

Professor Ross Garnaut, one of the Hawke Government's key economic advisers and former Australian ambassador to China has described the APEC concept as two things:

*"It is first of all the Asia Pacific economic community; the community of relatively and increasingly open and rapidly growing economies, deeply and increasingly integrated with each other, benefiting from large and expanding economic relations with the rest of the world....."*

*"APEC is secondly a process of intergovernmental Asia Pacific Economic Co-operation, which aims to conserve, strengthen and extend the older Asia-Pacific community." [see Garnaut, 1994: p.2]*

The concepts of 'co-operation' and 'community' have been important in APEC. The uniqueness of APEC as an international economic institution is that it is a relatively informal, non-negotiating forum, encompassing a diverse range of member countries in the Asia Pacific region. APEC works on a consensus approach, allowing broad membership, as it does not have the same binding formal process of the World Trade Organisation (WTO) and the other trade policy fora. The APEC forum also provides a co-operative approach in the post-cold war era where preferential trading blocs threaten along hemispheric lines. As noted by Hawke (1992: p.346), APEC was partly the result of some fears that the world could divide into three trading blocs of

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It is important to note in the context of labour issues and APEC to an international readership that Bob Hawke was President of the Australian Council of Trade Unions (ACTU) from 1969 to 1980 and a member of the Governing Body of the ILO before becoming Australia's longest serving Labor Prime Minister from 1983 to 1991. APEC was a key achievement of the Hawke government.

Asia, Europe and the Americas. APEC was also proposed in view of the importance of the USA-Japan economic relationship (Hawke, 1992: p.348). Indeed, the impact of the current Asian financial crisis illustrates the integration of national economies and the need for international economic fora like APEC to provide a mechanism for co-operation and international leadership.

## 2.2 The APEC Chronology

The key events in APEC's history are outlined in Box 2 below.

### Box 2 APEC Chronology

Year	Event
1989	Australian Prime Minister, Bob Hawke launches APEC concept in Seoul, Korea (January). Canberra Meeting (First Ministerial) in November. Basic Principles adopted.
1990	Singapore Meeting (Second Ministerial)
1991	Seoul Meeting (Third Ministerial). 'Seoul Declaration' adopted.
1992	Bangkok Meeting (Fourth Ministerial). EPG established.
1993	First APEC 'Leaders Summit' hosted by President Clinton, Seattle, USA. The Blake Island Economic Vision adopted.
1994	Second APEC 'Leaders Summit' Bogor, Indonesia, hosted by President Suharto. The Bogor Declaration of Common Resolve adopted.
1995	Third APEC 'Leaders Summit', Osaka, Japan, hosted by Prime Minister Murayama. Adoption of the Osaka Action agenda through development of Individual Action Plans (IAPs).
1996	Fourth APEC Leaders Summit held in Subic Bay, in the Philippines, hosted by President Ramos. The Subic Declaration 'From Vision to Action' includes the Manila Action Plan for APEC (MAPA).
1997	Fifth APEC Leaders Summit held in Vancouver, Canada, hosted by Prime Minister Chretien held in midst of the Asian Financial crisis adopted the Vancouver Declaration - Connecting the APEC community.
1998	Sixth APEC Leaders Summit held in Kuala Lumpur, Malaysia, hosted by Prime Minister Mahatir.

The Canberra meeting of November 1989 was the first 'ministerial meeting' on APEC. The Ministers of the twelve regional economies agreed on the basic principles of APEC which include:

- The objectives of APEC is to sustain growth and development in the region to contribute to improving living standards, and more generally, growth of the world economy;
- APEC should seek to strengthen an open multilateral trading system and not be directed towards the formation of a regional trading bloc; and
- APEC should focus on economic rather than political or security issues, to advance common interests and foster constructive interdependence by encouraging the flow of goods, services, capital and technology.

[DFAT, 1993: p.19]

The second ministerial meeting occurred in Singapore in July 1990 and the third again in Seoul in November 1991. The third ministerial meeting marked the end of the initial phase of APEC's development.

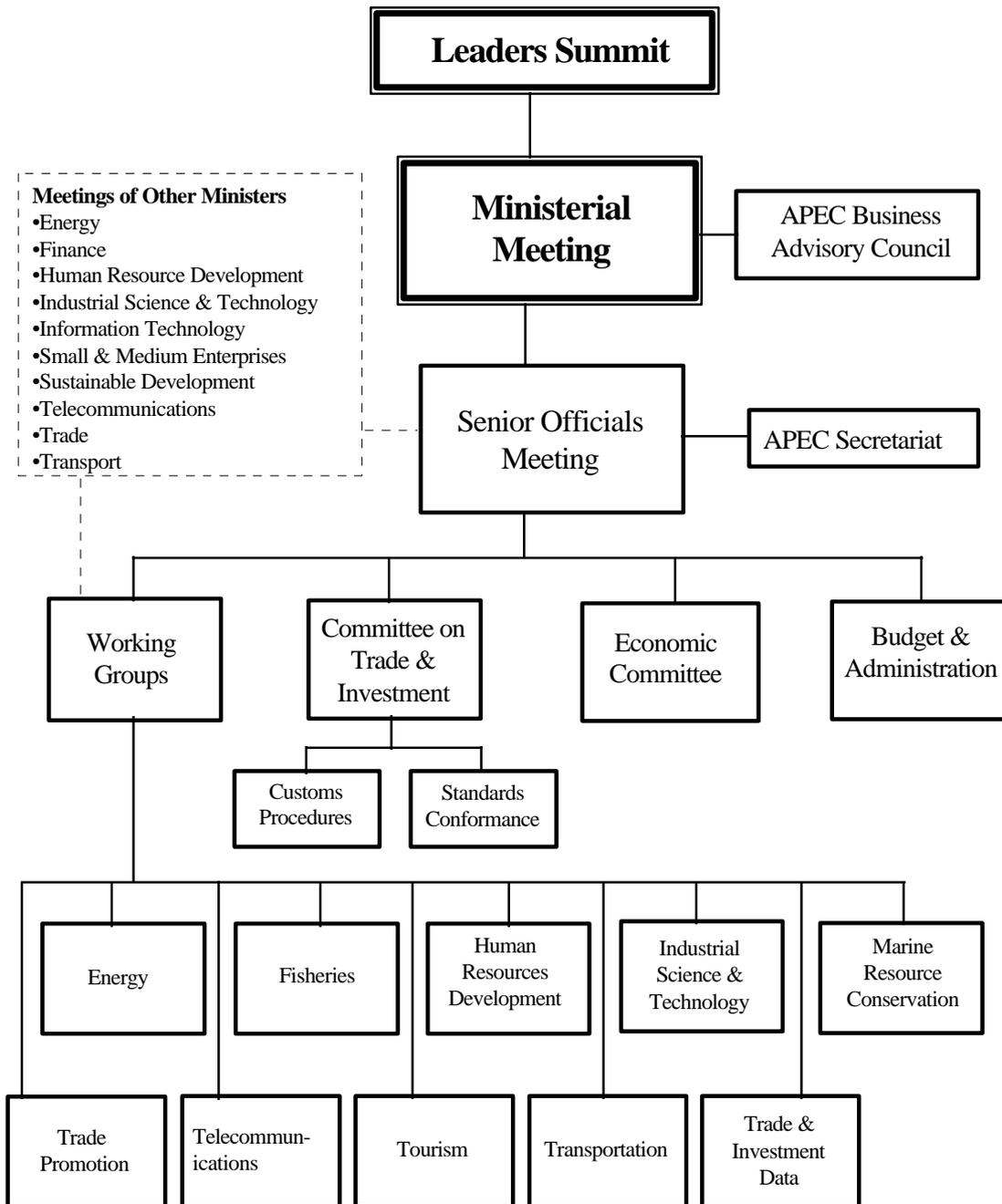
The Seoul 1991 meeting included the three Chinese economies, the Peoples Republic of China (PRC), Taiwan, and Hong Kong in APEC for the first time. The 'three Chinas' were added to the original twelve APEC members (the ASEAN six, the USA, Canada, Japan, Korea, Australia and New Zealand). The meeting also produced the "Seoul Declaration" that outlined the objectives of APEC and endorsed ten specific working groups on selected topics in APEC.

The public profile of APEC was lifted as a result of the first APEC 'Leaders Summit' hosted by US President Bill Clinton in November 1993. The Leader's Summit was suggested by Australian Labor Prime Minister Paul Keating in April 1992 (see DFAT, 1993: p.7). The summits have now become the major APEC showcase event and are held annually in November by rotating hosts. The Seattle meeting in 1993 was followed by Bogor, Indonesia (1994), Osaka, Japan (1995), Subic Bay, the Philippines (1996), Vancouver, Canada (1997), and Kuala Lumpur, Malaysia (1998).

### **2.3 The APEC Structure**

The structure of APEC is outlined in Box 3 below.

**Box 3 - Structure of APEC**



Note: APEC Study Centres (ASC) Network added to APEC in 1993.

The Summits typically produce a major declaration on APEC's program and forward workplan. The Leader's Summits are at the apex of the APEC structure which includes ministerial meetings, senior officials' meeting, APEC working groups and meetings of the 'Eminent Persons Group'

(EPG). APEC is primarily limited to economic co-operation (not political or security concerns). Its role as a facilitator of trade and investment liberalisation (along with the more formal processes of the WTO) has gained prominence (particularly after the Bogor Declaration) but it has attempted to expand its agenda into other areas of economic co-operation such as customs, harmonisation, alignment of national standards, mutual recognition of industrial standards, infrastructure, trade promotion and the provision of data on trade and investment. The details of the EPG reports are listed below.

#### Box 4 – Eminent Persons Group (EPG)

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**First Report: 'A Vision for APEC: Toward an Asia Pacific Economic Community'**

The first report calls for APEC to "...provide the foundation for the creation of a true Asia Pacific Economic Community..." and recommends that APEC set a goal of "free trade in the Asia Pacific to help realise the full potential of the region..."

**Second Report: 'Achieving the APEC Vision: Free and Open Trade in the Asia Pacific'**

Recommends that APEC to adopt a program of trade liberalisation by 2000, to be completed by 2020..."taking full account of the economic diversity of the region..."

**Third Report: 'Implementing the APEC Vision'**

Recommends that APEC implement the Seattle/Bogor initiatives by adopting a four part Osaka 'Action Plan'.

*EPG Members:*

Dr Narongchai Akrasanee	(Thailand)	Dr C. Fred Bergsten	(USA)
Dr Jesus P. Estanislao	(Philippines)	Dr Victor K. Fung	(Hong Kong)
Dr Lee Tsao Yun	(Singapore)	Dr John S. MacDonald	(Canada)
Dr Suhadi Mangkusuwondo	(Indonesia)	Mr Timothy Ong Teck Mong	(Brunei)
Dr Jesus Reyes Heróles	(Mexico)	Dato Dr Noordin Sopiee	(Malaysia)
Sir Dryden Spring	(New Zealand)	Hon. Neville Wran	(Australia)
Dr Rong-I Wu	(Taiwan)	Dr Ippei Yamazawa	(Japan)
Dr Jang Hee Yoo	(Korea)	Mr Zhao Gongda	(PRC)
Mr Graeme Pirie (Executive Secretary)	(New Zealand)		

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APEC's potential for trade and investment liberalisation was a key recommendation of the first report of the EPG prior to the first Leaders Summit in Seattle in November 1993. This was in context of the completion of the GATT Uruguay Round and the formation of the WTO in 1994. The second report of the EPG titled "Achieving the APEC Vision: Free and Open Trade in the Asia Pacific" was completed in August 1994. The second report was written by an EPG which included representatives from all sixteen APEC countries as opposed to eleven in the EPG that produced the first report. The second built on the first report's principles of "free and open trade and investment" and "open regionalisation" which were affirmed in Seattle. The second report, at the request of the APEC Leaders, recommended that ".....APEC now adopt a comprehensive program to realise the vision of free and open trade in the region." (EPG, 1994: p.2). Accordingly, the EPG recommended that the APEC Leaders and Ministers at the 1994 Leaders Summit in Indonesia:

- adopt the long-term goal of "free and open trade and investment in the region";
- aim to begin implementing APEC's program of trade liberalisation to achieve that goal by the year 2000; and
- aim to complete the liberalisation process by 2020, taking full account of the economic diversity of the region by having the more economically advanced

*members eliminate their barriers more quickly than the newly industrialised and developing members."*

[EPG (1994) pp.2-3]

The Third EPG report in 1995, titled 'Implementing the APEC Vision', recommended that APEC implement the Seattle/Bogor initiatives through a four-part Osaka 'Action Plan' relating to development co-operation, technical co-operation and the APEC Infrastructure 2020 program.

#### **2.4 The APEC Communiques**

The EPG reports are the first of a number of important communiques developed in the APEC process. The first was developed at Seattle to promote a 'shared vision' for economic co-operation in the region. The Blake Island Economic Vision was the first of the key APEC Leaders' Communiques which are listed in Box 5 below.

## Box 5 – Key APEC Communiqués

Title	Highlights
The Blake Island Economic Vision. Seattle, 1993	<p>Set vision for the Asia Pacific Economic community. Raised profile of APEC with the annual 'Leaders Summits'. Issues raised:</p> <ul style="list-style-type: none"> <li>• Trade in APEC (First Report of EPG);</li> <li>• Reduction of investment barriers;</li> <li>• Education and training;</li> <li>• Telecommunications, transport;</li> <li>• Environment, sustainable growth.</li> </ul>
The Bogor Declaration of Common Resolve. Bogor, Indonesia, 1994	<p>Agreed to a modified version of second report of EPG with goal of free and open trade and investment in the region no later than 2010 for industrial countries and 2020 for developing countries (the 2010/2020 'vision').</p>
The Osaka Action Agenda. Osaka, Japan, 1995	<p>Agreed to 'blueprints' on trade and investment liberalisation through Individual Action Plans (IAPs). Also deals with issues of economic and technical co-operation in areas such as energy, transportation, infrastructure, small and medium enterprises (SMEs), and agricultural technology. Trade and Investment Liberalisation for projects in support of the Osaka Action agenda.</p>
The APEC Economic Leaders Declaration: "From Vision to Action" (The Subic Declaration). Subic, The Philippines, 1996	<p>Adopted Manila Action Plan for APEC (MAPA) on progress reports on 2010/2020 Vision and Part II of Osaka Action Agenda:</p> <p>MAPA revolves around six themes:</p> <ul style="list-style-type: none"> <li>• Greater market access in goods;</li> <li>• Enhanced market access in services;</li> <li>• An open investment regime;</li> <li>• Reduced business costs;</li> <li>• An open and efficient infrastructure sector;</li> <li>• Strengthened economic and technical co-operation.</li> </ul>
"The APEC Leaders Declaration: Connecting the APEC Community". Vancouver, Canada, 1997	<p>Addressed Asian Financial crisis and role of economic and technical co-operation. APEC to cooperate with IMF, World Bank and ADB. Evaluated MAPA and IAPs.</p> <p>Points included:</p> <ul style="list-style-type: none"> <li>• Blueprint for Customs Modernisation;</li> <li>•</li> </ul>
"Strengthening the Foundation to Growth", Kuala Lumpur, Malaysia, 1998	

*"We are determined to pursue free and open trade and investment in Asia Pacific in a manner that will encourage and strengthen trade and investment liberalisation in the world as a whole. Thus, the outcome of trade and investment liberalisation in Asia Pacific will not only be the actual reduction of barriers among APEC economies but also between APEC economies and non-APEC economies. In this respect we will give particular attention to our trade with non-APEC developing countries to ensure that they will also benefit from our trade and investment liberalisation, in conformity with GATT/WTO provisions."*

[Bogor Declaration (1994) pt6]

The Declaration also adopted the 2010/2020 target in conforming with GATT/WTO provisions. The 2010/2020 APEC 'vision' was thus intended to be complementary to WTO processes not a substitute for them. The APEC Leaders stressed their support for WTO processes as the GATT Uruguay Round had just been completed and the WTO was still in its infancy as the new multilateral trade policy institution.

In Osaka, Japan in 1995 the Leaders adopted Individual Action Plans (IAPs) to implement the Bogor Declaration. The Osaka Action Agenda provided an agreed framework for future work on trade and investment liberalisation, trade and investment facilitation and economic and technical co-operation. The IAPs of Osaka were brought to Subic, the Philippines at the 1996 Leaders Summit. The Subic Declaration 'From Vision to Action' asked that APEC Ministers continue the implementation of the voluntary action plans under the banner of the Manila Action Plan for APEC (MAPA). The Subic Declaration was explicitly significant in that it included social language for the first time with references to 'a shared vision of community', the need for 'sustainable growth and equitable development' and the importance of the 'full participation of women and youth' (see Subic Declaration). In Vancouver, Canada, the social language, continued by the Leaders Summit, was overshadowed by the financial crisis in East Asia.

In Kuala Lumpur, Malaysia, the Leader's Summit continued to focus on the financial crisis and called for APEC to strengthen the foundations of growth. Included in the Leaders communique was the need to strengthen social safety nets, financial systems individually and globally, human resource development, economic infrastructure, and business and commercial links.

## 2.5 The APEC Working Groups

The APEC structure includes working groups on key policy issues within APEC. The APEC Working Groups and each Group's function is shown in Box 6 below:

### Box 6: APEC Working Groups

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The APEC Working Groups cover ten areas.

1. **ENERGY WORKING GROUP**  
Promotes cooperation on energy issues to maximise the contribution by energy to growth and to enhance energy security.
  2. **FISHERIES WORKING GROUP**  
Aims to develop regional approaches to conservation, development and marketing of fisheries. The goal is optimum use of, and trade in, fisheries resources based on sustainable development practices.
  3. **HUMAN RESOURCE DEVELOPMENT (HRD) WORKING GROUP**  
Seeks development of skilled and flexible workforces. Issues include education, industry training, business management, meeting the impact of globalisation, and enhancing labour mobility.
  4. **INDUSTRIAL SCIENCE AND TECHNOLOGY (1<sup>ST</sup>) WORKING GROUP**  
Promotes the development of industrial science and technology and transfer of information and technology.
  5. **MARINE RESOURCES WORKING GROUP**  
Aims to enhance trade and investment in marine products, to protect the marine environment and to secure continuing socioeconomic benefits from the sector.
  6. **TRADE PROMOTION WORKING GROUP**  
Aims to encourage expansion of regional trade through cooperation between trade promotion agencies and to assist business to access APEC information.
  7. **TELECOMMUNICATIONS WORKING GROUP**  
Supports expansion and liberalisation of APEC telecommunications markets. Goals include open and non-discriminatory access to public telecommunications and protection of privacy, data security and intellectual property.
  8. **TOURISM WORKING GROUP**  
Supports growth of sustainable tourism. Goals include removal of impediments to tourism and better development strategies.
  9. **TRANSPORTATION WORKING GROUP**  
Aims to improve coordination of transport and identification of transport impediments to growth.
  10. **TRADE AND INVESTMENT DATA WORKING GROUP**  
Is working to increase the utility and reliability of regional trade and investment data, in particular by fostering effective use of data.
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APEC work programs are conducted by the policy-related committee on Trade and Investment and the Economic Committee as well as by the working groups.

The APEC Human Resource Development Working Group (HRDWG) is of major interest to trade unions.

Established in 1990, the HRDWG covers a broad range of human resources development issues from basic education to industrial training and management in small and medium enterprises.

The five main areas of work of the APEC HRDWG are shown in Box 7 below:

## Box 7: APEC HRD Working Group

HRD Subgroup/Network	Policy Focus
1. Business Management Network (BMN)	Management development and executive education.
2. Network on Economic Development Management (NEDM).	HRD in macroeconomic development, productivity, equity in labour market, workplaces.
3. HRD Network for Industrial Technology (HURDIT).	Technical skills, training, lifelong learning issues.
4. Education Forum (EDFor).	Quality and accessibility in education systems.
5. Labour Market Information (LMI) Group.	Development of effective and comparable data on labour market trends in the region.

The APEC HRDWG has been involved in more than 80 projects since its inception in 1990, including:

- The development of comparable labour market information systems to support effective and efficient labour markets in the region;
- Development and provision of business management training programs for SMEs;
- Joint research and demonstration of best practices in industrial skills training;
- Sharing of up-to-date knowledge within a network of lifelong learning specialists in the region;
- Cooperative development of education statistics for better planning of quality education systems; and
- Development of frameworks for mutual recognition of skills and qualifications to facilitate mobility of qualified professionals such as engineers.

[Source: APEC Secretariat, Internet Homepage]

To date there has not been much trade union involvement in APEC HRDWG although the Taipei HRDWG, on the HRD impacts on the Asian crisis, called for the Working Group to “develop stronger links with key growth sector stakeholders including business, labour, women, youth and NGOs, to enable them to contribute arguments to Working Group activities.”

[Source: APEC HRDWG, Taipei Meeting, 16-17 June 1998]

However, there are many policy issues not included in the HRDWG agenda that effect unions. For example, the APEC agenda has included issues of privatisation and deregulation that have labour market implications and there have been recent forays into pension reform. Pension reform and the privatisation of social security is a major issue in Chile. Working Groups on Energy, Transportation and Telecommunications for instance, also involve industrial issues that concern trade unions.

### 2.6 Summary

APEC has evolved from a concept developed by Bob Hawke in 1989 in response to the economic and geo-political developments at the end of the cold war, to a high profile process of economic

co-operation with expanded membership. There has been some uncertainty about what institutional form APEC should take whether it becomes a free trade area for the Asia Pacific or a Pacific Rim OECD? It has not built up a powerful bureaucracy, nor has it aimed to compete with other international organisations like the WTO and the IMF. Its informal, consensus nature and the diversity of its membership is a source of strength and weakness. It does not have legal 'teeth' as a non-binding institution, nor has it a formal bureaucracy. It is voluntary and based on consensus. This may weaken its power and attraction but it potentially provides a forum for leadership and open discussion on issues because it has not-binding status.

APEC's great challenge is to find a role for itself in response to the East Asian financial crisis which was not foreseen by any of the APEC leaders. It also has to reform its structure in a more certain and democratic manner. It has to date attempted to expand its membership beyond Government Ministers and officials to the private sector and academia but not to labour representatives or community groups.

However, it is still uncertain as to how to involve community representatives and how to make its processes democratic and transparent. This paper is an attempt to help solve part of this problem by suggesting ways in which APEC can involve the representatives of its 1.3 billion strong workforce who create the wealth in the APEC region. One of the key challenges of the APEC process is to ensure community support for APEC objectives including free and open trade by 2020. As governments are finding out all over the world, if economic objectives are not communicated to citizens, and if the benefits of expanded trade and investment are not shared equally or in a way to assist economic development, then there will be little support for trade liberalisation. As explained by Harvard political economist Dani Rodrik (1997) in 'Has Globalisation Gone too Far', the phenomena of 'globalphobia' is sweeping the world. If free trade conflicts with the goals and social equity and democratic due process, then it is likely that citizens will vote governments out and look for protectionist solutions. There is no better ally for an advocate of protection and isolation, than a free trader who ignores (or downplays) social equity considerations. The inheritors of APEC should take note of these aspects and expand the APEC agenda to include social and democratic development. The labour dimension of APEC is one important part of this requirement. What has been done on the labour front to date and what more needs to be done in the future is the focus of the rest of this paper.

### 3. Labour Markets and Industrial Relations in APEC – A Snapshot

#### 3.1 Introduction

APEC comprises a number of diverse economies in terms of size, industry structure and economic development. As a result the labour markets of APEC are also diverse and each APEC economy faces a unique set of labour market problems. A comprehensive analysis of the labour markets and industrial relations systems of APEC is beyond the scope of this paper. However some introductory statistics are presented here to provide a 'snapshot' of the labour dimensions to APEC.

#### 3.2 Trade Unions

Even though there are over 201 million trade unionists in APEC, this has not to date enabled labour to have representation in the APEC process which has been confined to governments, business and academia. Table 1 (below) shows total trade union membership by APEC country.

**Table 1:  
Trade Union Membership in APEC**

<b>APEC Country</b>	<b>Members (000's)</b>	<b>Year = 1995 (unless stated)</b>
Australia	2440	
Canada	4128	1993
Chile	684	1993
China	103996	
Hong Kong	562	1994
Indonesia	1000	
Japan	12410	1996
Korea	1615	

This data is derived from the ILO's World Labour Report for 1997-98 and states each APEC country's trade union membership as at 1995 (unless stated otherwise). It should be noted that there are often difficulties in making cross-country data comparisons particularly when political systems differ. For example, it may be problematic to include the union members of the Chinese labour federation given its lack of autonomy and democracy in those countries under communist rule.

Notwithstanding these factors, the data show that there is sizeable union membership in the industrialised economies such as Australia, Canada, Japan, USA, Hong Kong, Singapore, Taiwan, New Zealand and the Republic of Korea. Korea, in particular, is important to the future of the union movement in the Asia-Pacific region, given the Korean workers' success in establishing a free and democratic labour movement after years of authoritarian rule. The developing economies of South East Asia and Latin America are also important to the union movement's future in the region. The Philippines' labour movement is important and has some strength in organisation. Thailand and Indonesia have only small membership numbers. One consequence of the Asian financial crisis could be an increase in democracy and transparency in the political process. A spin-off could be the establishment of more democracy in the industrial relations process in the form of democratic labour representation. An example is the release from prison of some labour activists in Indonesia at a time of political and economic crisis. The Asian financial crisis potentially strengthens the hand of the democratic movements in several APEC countries. It is a good opportunity for trade unions to advocate an important role for labour in the economic development process as Asian economies attempt to recover from the crisis. Similarly the trade unions of Mexico, Chile and Peru have an important role to play in the economic resurgence of Latin America as it integrates with the United States, Canada and the rest of APEC.

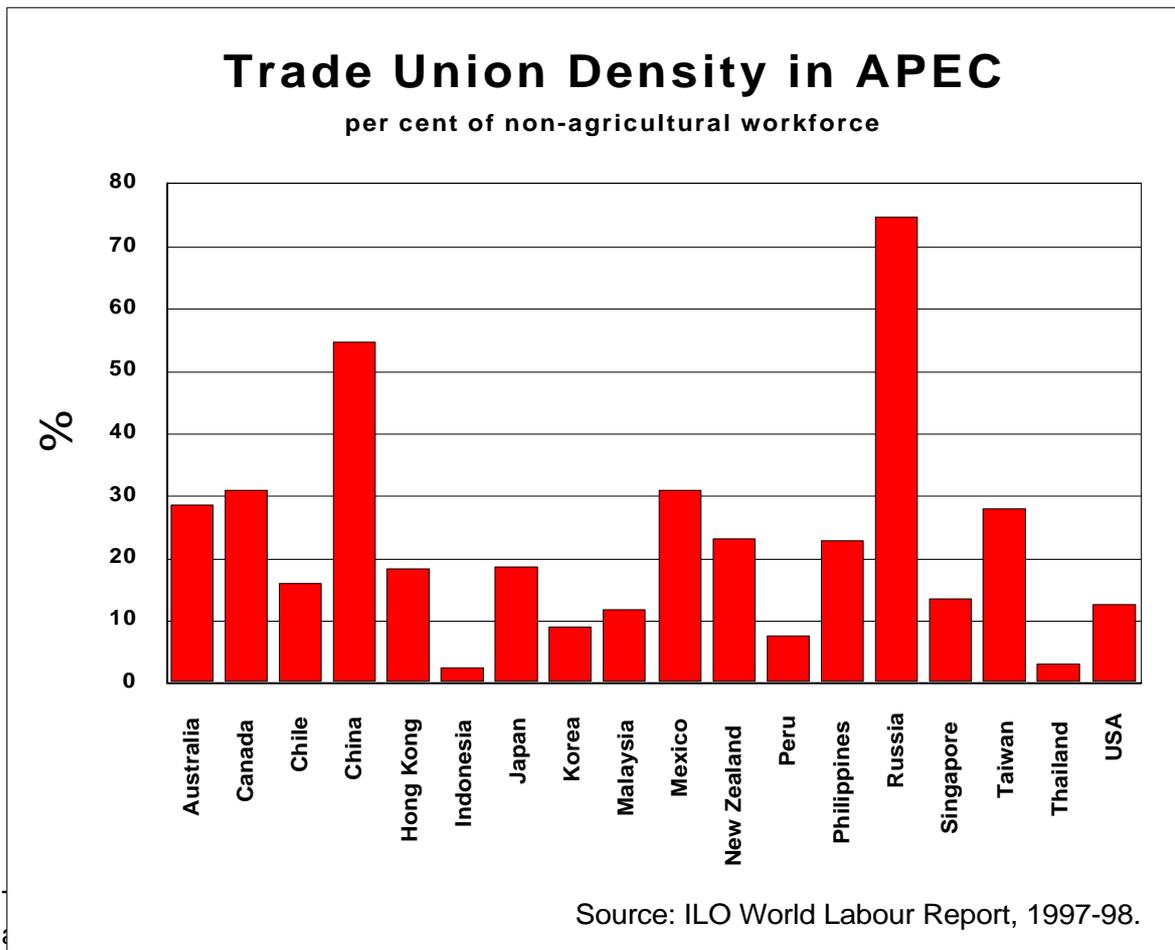
Table 2 (below) and the accompanying Chart A shows trade union density in APEC. Union density is the ratio of *actual* union membership to *potential* union membership (or the trade union share of its eligible members in the employed workforce). An excellent discussion of international comparisons of trade union density is provided in Bamber and Lansbury (1998).

**Table 2:  
Trade Union Density in APEC**

<b>APEC Country</b>	<b>Density* (%)</b>	<b>Density** (%)</b>	<b>Density*** (%)</b>	<b>Year = 1995 (unless stated)</b>
	<b>*Non-agricultural labour force</b>	<b>**Wage &amp; Salary earners</b>	<b>***Formal sector Wage earners</b>	
Australia	28.6	35.2		
Canada	31.0	37.4		1993

Chile	15.9		33.0	1993
China	54.7		70.0	
Hong Kong	18.5			1994
Indonesia	2.6	3.4	4.8	

Chart A



density ratio is calculated for the non-agricultural labour force. This data is also presented in graphical form in Chart A. This allows us to abstract from differences in union density that are due to industrial structure rather than relative union recruitment strength. In this column union density is high in Canada, Mexico, Australia, Taiwan, New Zealand and the Philippines. Again there are some difficulties in how to treat economies in transition such as Russia (74.8 %) and China (54.7 %). An outlier amongst industrialised countries is the United States with its long history of anti-union labour legislation and a corporate sector that has elements that are hostile to organised labour. That the USA is an outlier is nothing new. For instance, Blanchflower and Freeman (1992) in an influential article found the USA to be different when compared with other industrialised countries, particularly in Europe. The second column calculates union members as a proportion of wage and salary earners. The countries with the highest densities include Mexico, the Philippines, Canada, Australia and Taiwan. The third column calculates union members as a proportion of wage earners in the formal sector only. This is important in developing countries that have large 'informal sectors' in their labour markets. This shows strong union density in the Latin American members of APEC, Mexico, Chile and Peru.

### 3.3 Employer Associations

Data on employer associations is patchy compared to trade union data. The World Labour Report has provided data, which is based on employer association's own surveys of their membership. This is shown in table 3 (see below). Australia, because of its system of conciliation and arbitration has required registered employer representatives but not all countries have formal employer associations. However many countries have business organisations with trade functions that monitor APEC processes. The APEC Business Advisory Council (ABAC) also provides a business voice in APEC.

**Table 3:  
Employer Associations in APEC**

<b>APEC Country</b>	<b>Number of enterprises covered</b>	<b>Number of employees in enterprises covered</b>	<b>Year = 1997 (unless stated)</b>
Australia	300000		
Canada			
Chile	35000		
China			
Hong Kong			
Indonesia	9100	5000000	
Japan	26000	20000000	
Korea	4000	2500000	
Malaysia		1000000	

### 3.4 Industrial Disputes

Industrial dispute statistics are notoriously difficult to compare on an international basis. For

<b>APEC Country</b>	<b>GDP per capita US \$1987(1994)</b>	<b>Population 1996 ('000s)</b>	<b>Population in Poverty(%)</b>	<b>Population in Poverty(%)</b>
			<b>1990 Urban</b>	<b>1990 Rural</b>
Australia	12087	18057		
Canada	13534	29680		

APEC Country	Labour Force Total 1996 ( '000s)	Labour Force Participation Rate -1996 (%)		
		Total	Male	Female
Australia	9144	51.0	58.0	43.3
Canada	15796	53.8	59.0	47.6
Chile	5740	40.8	54.6	25.4

Table 7 shows employment and unemployment in APEC.

**Table 7:  
Employment and Unemployment**

APEC Country	Employment (Total) 1995 ('000s)	Unemployment 1995(%)
Australia	8235	8.5
Canada		9.5
Chile	5026	4.7
China		
Hong Kong	2971	3.2
Indonesia		
Japan		3.2
Korea	20377	2.0
Malaysia	7645	2.8
Mexico	33881	4.7
New Zealand	1633	6.3
PNG		
Peru	2901	7.1
Philippines	25698	8.4
Russia	67100	8.3
Singapore	1701	2.7
Thailand		
USA	124900	5.6
Vietnam		

Source: ILO World Labour Report, 1997-98

Amongst the industrialised countries Singapore, Hong Kong, Japan, Korea and the USA have low rates of unemployment. However this data is from 1995 and does not take into account the impact of the Asian financial crisis on the labour market.

### 3.7 Labour Market Overview

The above data provides a mere snapshot of the diverse labour markets in APEC. A comprehensive analysis of the labour markets of APEC has been provided by Haworth and Hughes (1997). Because of this diversity, Haworth and Hughes choose representative groups of APEC economies to illustrate the different kinds of labour market problems faced by member economies according to their economic development and political system. On this basis, they group together: the mature industrialised OECD member economies (the USA, Canada, Japan, Australia, New Zealand); the Latin American economies (Mexico and Chile); the East Asian NICs (Taiwan, Korea\* and Singapore); and the Developing economies (Thailand, Malaysia and China).

They describe the OECD economies experiencing “..relatively low levels of population growth..’ but having to deal with demographic problems relating to the post Second world War ‘baby boom’ and the resulting ageing of the population. This leaves the OECD member economies with a number of labour market problems related to the “.. ratio between economically-active and non-economically active populations, the provision of appropriate education and training and the rate of job creation.” Haworth and Hughes (1997) p8.

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• Note: The Republic of Korea, whilst classified as an East Asian NIC by Haworth and Hughes (1997), it is also a member of the OECD.

By contrast, the Latin American economies are discussed in terms of structural adjustment and the relative success of Chile compared to Mexico (especially in light of the Mexican currency crisis in 1995).

The East Asian NICs have experienced slowing population growth but steady rates of GDP growth before the Asian financial crisis. In the case of the Developing economies population and labour force growth rates have been steady but significant labour market problems have and will occur as a result of the crisis.

Haworth and Hughes also categorise APEC economies by economic/political system when discussing their growth and development strategies. For instance, the 'Anglo-Saxon Model; from developed Keynesian demand management to free market models' encompasses the USA, Canada, Australia and New Zealand whilst the 'Failed Classical Import Substitution Regimes' are represented by the Latin American economies of Mexico and Chile. The 'State-led Export-orientated models' cover Japan, Korea, Taiwan, Malaysia and Singapore and the Socialist Transition to the Market model' of course, covers the People's Republic of China.

With the Anglo-Saxon model, the long boom of the post World War Two era was facilitated by Keynesian demand management and social consensus policies. Singh (1997) describes this era as the "Golden Age" for industrialised economies. However the 1973 oil 'shock' and the collapse of the fixed exchange rate systems saw a return to free market solutions in the USA, UK and (later) New Zealand. An exception was the Australian Labor Government which successfully used prices and incomes policies from 1983 to 1996. (see Chapman (1997)).

The "Failed Classical Import Substitution Regimes" describe Mexico and Chile and are in the tradition of South American economic policy which combined industrialisation, protection, import substitution and state control over the economy. This was the favoured policy of many South American dictatorships that have sadly dominated the continent's political past. In economic terms, Chile is perhaps the exception when it adopted open free market and free trade policies (even though this was done by a notorious political regime led by General Pinochet from 1973 to 1990). Mexico adopted those policies somewhat less wholeheartedly and later which has affected its rate of economic adjustment relative to Chile.

The state-led development of East Asia has been classified by Haworth and Hughes into three different categories . First, there is post-war Japan with its unique labour market features such as lifetime employment and enterprise unionism. Second there is Korea, Singapore and Taiwan who adopted policies of export-led development, foreign investment, technological advance and the promotion of the services sector. Thirdly, there are economies like Malaysia and Thailand who have attempted to move from low-cost, high volume production methods based on capital inflow to capital-intensive, high-skill, technologically advanced methods.

China's transition has been from state socialism to a market economy. Central to this change has been the role of the state enterprise in the market driven economy as well as structural change related to the transformation of agriculture and the modernisation of manufacturing industry.

Haworth and Hughes use this classification structure across the APEC economies in order to identify the key concerns facing labour market policy makers in APEC as a whole.

The key concerns include:

- Tailoring labour market policy to economic change and growth;
- Providing an appropriate skill profile;
- Integrating labour into technical change in order to improve productivity, quality, and competitiveness;
- Putting in place appropriate education and training mechanisms;
- Defining appropriate public/private sector mix in the labour market;

- Defining and managing an appropriate response to labour migration;
- Managing industrial relations;
- Responding to the contemporary labour standards debate.

[Haworth and Hughes (1997) p32]

Added to the list of key concerns, of course, should be the labour market policy response to the Asian financial crisis (the effects of which were not known to Haworth and Hughes at the time their paper was written). The crisis has enormous consequences in terms of unemployment and worsening poverty throughout many APEC economies. For instance, in Indonesia it is predicted that with the spreading number of unemployed workers in both urban and rural areas that the number of the population under the poverty level “.. will increase by almost 400 per cent from approximately 20 million in 1997 to 80 million in 1998.” (see Ninasapti Triaswati (1998) p.6). The important role of labour market policy as part of the solution to the crisis was acknowledged by the International Monetary Fund (IMF) itself when called in to negotiate assistance packages in Asia. The Managing Director of the IMF, Mr. Michel Camdessus has suggested that the IMF broaden its focus to include a number of elements including:

*“..a more effective dialogue with labor 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 labor rights are protected.”*

[Camdessus (1998) p3]

There are a number of labour market policy problems in APEC, as identified by the Haworth and Hughes (1997). These problems have been accentuated by the crisis in Asia . But as recognised by the IMF the labour movement of the region is part of the solution to these problems. APEC needs to provide an institutional response to the crisis and related problems in the region and it needs a mechanism to include the labour movement in that response. The labour movement needs to be equipped to engage in the APEC process. How the labor movement has responded to APEC is the focus of the next section of the paper.

## 4 Labour Movement Responses to APEC

### 4.1 Introduction

This section outlines trade union responses to APEC to date. It assesses the international trade union movement's institutional response to APEC, the promotion of labour standards in APEC and other international trade policy fora, the importance of trade unions to education, training and Human Resource Development (HRD) in the Asia Pacific region and the social dimension and promotion of "civil society" in APEC.

### 4.2 The Asia Pacific Labour Network (APLN) – Providing Employee "Voice" in APEC

The Asia Pacific Labour Network (APLN) was established at a meeting in Melbourne, Australia in September 1995. The APLN consists of the affiliates of the International Confederation of Free Trade Unions (ICFTU) in APEC countries as well as the associated sectoral unions grouped in International trade secretariats (see box 8 below).

#### Box 8 – The Asia Pacific Labour Network

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The Asia Pacific Labour Network consists of the affiliates of the International Confederation of Free Trade unions (ICFTU) in Chile, Mexico, the USA, Canada, New Zealand, Australia, Papua New Guinea, Singapore, Malaysia, the Philippines, Thailand, Hong Kong, Chinese Taipei, the Republic of Korea and Japan, together with the associated sectoral unions grouped in the International Trade Secretariats. The network includes the Trade Union Advisory Committee to the OECD (TUAC-OECD). The network was established at a meeting in Melbourne on 10-11 September 1995. The ICFTU is a global confederation of free trade unions in 141 countries and territories. Its headquarters is in Brussels and regional offices are also located in Singapore and Caracas.

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The APLN was set up to provide an employee "voice" in APEC through the official international trade union channels. Its aim is to be representative of workers in all its member countries and to ensure that both women and men are equally represented. All meetings since 1996 have included guaranteed places for women representatives. Whilst it has operated outside the formal processes of APEC, it has successfully met with all the hosts of the APEC Leader's Meetings from Osaka in 1995 to Vancouver in 1997. For APEC, the APLN is a ready-made institution that could be easily included in the APEC process. It is a network rather than huge formal bureaucracy that would suit the informal, consensus-based methods of APEC. The APLN through the secretariats ICFTU and its Asia and Pacific Region Organisation (ICFTU-APRO) as well as its Inter-American Regional Organisation (ICFTU-ORIT) have provided regular analysis and commentary on APEC communiques. This has been the main activity of the APLN which has provided comprehensive assessments of APEC despite its limited access and resources. The commentaries illustrate how the APLN has positioned itself with respect to APEC.

These are outlined in Box 9 below.

## Box 9 – APLN Commentaries on APEC

Title	Comment
'A Trade Union Perspective on APEC'. (The 'Melbourne Statement': 1995)	This was the first discussion document prepared by the newly formed ICFTU Asia-Pacific Labour Network (APLN).  It contained an appendix titled 'The Role of Labor in the Asia-Pacific Region' which made four proposals to be taken to the APEC Leaders' Meeting in Osaka in 1995.
'A Trade Union Vision for APEC'. (The 'Manila Statement: 1996)	Built on the introductory framework of the Melbourne Statement to develop APLN proposals to be taken to the APEC Leaders Meeting in Subic Bay in 1996.
'Building the Social Dimension of APEC'. (The 'Ottawa Statement': 1997)	Provided Labour Proposals to the APEC Leaders Meeting in Vancouver, Canada in 1997.  Seized on Statements in the 1996 APEC Leaders' Communique (the Subic Declaration) that noted "our vision of community" and the need to "...give a human face to development" suggested that the APEC Leaders in Vancouver "...build on the social awareness of the Subic Declaration".
'APECs' Role in Achieving Global Recovery from the Asian Financial and Economic Crisis'. (The 'Kuala Lumpur' Statement)	Emphasised the role of the social agenda – APEC and the importance of core labour standards, HRD, social safety nets and helping Asia recover from the financial crisis. Called for an end to the 'deregulatory agenda' and for APEC to emphasise the importance of "respect for human and democratic rights on the basis of the right to freedom of association, democracy and universal suffrage".

The Melbourne statement identified four main areas of trade union work in APEC:

- *"The importance of providing a full social dimension for the APEC process, which hitherto has not been sufficiently present;*
- *the need to complement the existing structure of ministerial meetings by introducing a full work program to address the problem of unemployment and tackle a joint social agenda for the APEC region, requiring regular meetings of social ministers and labour ministers;*
- *the introduction of an additional protocol with reference to the international instruments concerning multinational corporations into the existing APEC investment guidelines; and*
- *establishment of arrangements at different levels of regular consultations with trade unions."*

[Melbourne Statement, p.9]

The Melbourne Statement was presented to the host of the Osaka Summit, Japanese Prime Minister Murayama who agreed that the "...the benefits of economic growth in APEC needed to reach ordinary citizens." The Prime Minister undertook "...to do his best to reflect the trade unions' proposals in the APEC Leaders' meeting in Osaka." [p9, Manila Statement].

In the lead-up to the 1996 Leaders Meeting in the Philippines, the ICFTU/APLN held a second conference following the inaugural Melbourne meeting and the Osaka Summit.

The 1996 Manila statement noted:

- the recognition of the ICFTU/APLN and the role of labour in APEC at the 1995 Osaka Summit;

- the importance of "shared prosperity" recognised also in the "Subic Declaration";
- the need for "partnership between unions, business and government" ;
- the importance of labour standards for poverty alleviation and social stability; ;
- the Pacific Economic Co-operation Councils (PECC) endorsement of trade union involvement in APEC - particularly in Human Resource Development (HRD) issues;
- the benefits of trade union expertise at APEC meetings [para 11] and the need for an APEC Labour Forum "...in view of its existing consultations with the formally established APEC Business Advisory Council".

The APLN was encouraged by the Subic Declaration made at the Philippines Leaders Summit in 1996 as its language "... comes close to endorsing the basic premise of the ICFTU/APLN statement that growth must benefit the people if it is to be successful. There are several specific references to the need for reductions in inequality, a wide distribution of the benefits of growth, employment creation, the value of broad based participation and gender perspectives." Philippines Statement (paragraph 2).

The Vancouver Summit was largely overshadowed by the Asian financial crisis which had begun in July 1997. The APLN met in Ottawa in October before the Vancouver Summit and produced the statement titled "Building the Social Dimension of APEC". The Ottawa statement:

- Put strong emphasis on the social dimension of APEC, such as the need for social programs;
- Emphasised respect for human rights and trade union rights;
- Mentioned the problems of the Asian financial crisis and the problems of financial speculation (including the 'Tobin tax' proposal);
- Emphasised the role of "civil society" and the importance of social issues concerning women, youth and migrant workers.

In Kuala Lumpur, the APLN met approximately a month before the APEC Leaders Summit. The Asian financial crisis dominated 1998 APEC talks which took place in the context of political unrest in the region, particularly in Indonesia and Malaysia. The 'Kuala Lumpur' Statement outlined the role of trade unions in the economic recovery from the crisis, the importance of civil society and the need for democracy in APEC, the weakness of the deregulatory agenda and the need for an APEC Social Action Plan.

#### 4.3 **APLN Policy Issues**

The APLN statements all consist of the following elements:

- Economic distributional issues;
- Trade policy;
- Investment principles and Multinational Enterprises (MNEs); ;
- Human Resource Development (HRD);

- Core labour standards;
- Social safety nets;
- Status of Women.

These policy issues are dealt with below.

#### 4.3.1 Economic Distributional Issues

The discussion of economic distributional issues is included in all the APLN commentaries. A basic approach of the APLN is to recognise the economic potential of APEC but to establish mechanisms to ensure that economic growth in APEC is fairly distributed across nations and populations. For example ICFTU-APRO economist Ching Chabo in a speech to the Pacific Economic Co-operation Committee (PECC) said:

*“.. The success of the program to extend and deepen co-operation between members of APEC is directly linked to unlocking the productive potential of the one billion strong workforce of the region. Economic integration, through the enlargement of markets, should create a basis for a major increase in employment and the reduction of poverty. To ensure ‘that our people share the benefits of economic growth’ – the objective set at successive APEC Leaders’ Meetings – will require increases focus on the social dimension of development.”*

[Chabo (1997) p.83]

The APLN has not opposed economic integration and recognises the robustness of APEC given its size and share of global trade and investment. However it is concerned that APEC will not be of any assistance unless it improves distribution and social stability. The APLN has noted the incremental change in the language of the APEC Leader’s communiques which have at least included references to distribution and issues of social development.

#### 4.3.2 Trade Policy

One limitation for APEC is that it has concentrated to date on narrow elements of trade policy rather than economic co-operation. This is a problem because APEC is not just about trade, it is also about investment flows, customs procedures, standards and conformance, government procurements, rules of origin, intellectual property etc. These issues also have potential labour implications. Particularly from the time of the Bogor Declaration, APEC was dominated by trade liberalisation and was seen as WTO-type instrument. This has limited the APEC agenda but also made various community groups who were suspicious about GATT/WTO and the free trade agenda also suspicious about APEC (“guilt by association”). The APLN, in general, has not adopted an anti-free trade position. Chabo has noted that:

*“..The increase in trade provides the resources for improvements but only trade unions, through collective bargaining, and governments, through effective enforcements of adequate labour laws, can ensure that increased trade does lead to higher standards of living for all workers. One of the effects of liberalisation and the growth of world trade is that there are considerable incentives for countries to increase their competitiveness in a wide range of products and services. This competitive pressure is all to the good but if all countries try to cut wages and labour costs simultaneously we will end up in a downward spiral where nobody is better off and everybody is worse off. This happened in the 1930s and it led to increased protectionism.”*

[Chabo (1997) p84]

Dani Rodrik of Harvard University has argued that where labour advocates can “... *make the greatest difference (on trade policy) is in distancing themselves from protectionist ideas.*” (See Rodrik (1997) p76). To some extent the APLN takes this approach even though national unions may run varied agendas in their respective domestic political arenas. Certainly the Asian financial crisis has blunted much of the enthusiasm among APEC members for the Early Voluntary Sectoral Liberalisation (EVSL) agenda of APEC in the lead-up to the Leaders Summit in Kuala Lumpur (see Dwyer, 1998).

#### **4.3.3 Investment Principles and Multinational Enterprises (MNEs)**

The 1994 APEC Summit in Indonesia adopted Non-binding Investment Principles for APEC member economies (see Box 10 below).

## Box 10 – APEC Non-Binding Investment Principles

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**Aim: To increase foreign investment in the region through the improvement and further liberalisation of members' investment regimes.**

- Transparency in investment laws and policies;
  - Non-discrimination between source economies;
  - Treatment “no less favourable than accorded to domestic investors”;
  - No relaxing of health, safety and environment regulations to encourage foreign investment;
  - Minimisation of use of performance requirements;
  - No expropriation of foreign investments except with adequate compensation;
  - In the area of repatriation and convertibility, liberalisation “towards the goal of the free and prompt transfer of funds”;
  - Prompt settlements of disputes through consultations and negotiations acceptable to both parties;
  - Temporary entry and sojourn of key foreign technical and managerial personnel;
  - Avoidance of double taxation;
  - Importance of foreign investors abiding by domestic laws and policies;
  - Minimisation of regulatory and institutional barriers to the outflow of investment.
- 

These principles exist to provide transparency in investment laws and policies and to ensure that foreign investors receive the same treatment by governments as domestic investors. The APLN has pushed for the inclusion of social concerns including employment objectives in the APEC Investment Principles. One principle already states that: “Member economies will not relax health, safety and environmental regulations as an incentive to encourage foreign investment.” The APLN has argued that this should be extended to include reference to the ILO Tripartite Declaration of Principles on Multinational Enterprises (see Melbourne Statement, paragraph 51.) This ILO Declaration and others such as the OECD Guidelines for Multinational Enterprises are seen as a way of maximising the positive effects of MNE investment whilst minimising the negative effects. The approach by the APLN to include references to ILO activity and standards in the Investment Principles is similar to the efforts by the ICFTU to put labour standards and ILO mechanisms into the Multilateral Agreement on Investment (MAI) which is being negotiated in the OECD. Given that the ICFTU and the Trade Union Advisory Committee to the OECD (TUAC) were influential in the MAI negotiating processes in terms of the inclusion of labour issues, then there is a fair probability that APLN will have some chance of pushing this agenda item in APEC. It also has the benefit of highlighting the importance of investment flows which are much more influential in the global economy than trade flows. (see Kozul-Wright (1998) and Jones (1998)). Concentrating on investment also allows the trade union movement to avoid the trap of being caught in the free trade versus protection debate ( as referred to by Rodrik, 1997 above).

#### 4.3.4 Human Resource Development

A major theme of all APLN statements has been the importance of Human Resource Development (HRD) and related labour market issues in APEC. The Declaration on “A Human Resources Development Framework for APEC” was adopted in Indonesia in 1994. The Declaration noted that :

*“...the development and protection of human resources contribute to the attainment of such fundamental values as the alleviation of poverty, full employment , universal access to primary, secondary and vocational education, and the full participation of all groups in the process of economic growth and development.”*

[Melbourne Statement, p10]

Much of the HRD agenda involves education and training and the integration of education standards and promotion of education exchange. APLN has argued that the HRD Working group in APEC should involve trade union representation as unions play an important role in demanding increased skills and career paths for workers. Unions in countries like Singapore and Australia have played an integral part in the development of their respective nation’s systems of education and training – particularly in the vocational area.

The APLN statements also call for the broadening of the HRD agenda than has occurred to date in official APEC circles. The Manila Statement for instance, noted that:

*“...Alongside improved access to education and training, APEC should fully commit itself to eliminate exploitation, discrimination, and repression in the workplace. Creating a secure and stable environment for the relationship between workers and employers, based on respect for fundamental internationally accepted workers’ rights, is central to improved human resource development, including maximising returns on investment in education and training.”*

[Manila Statement, Executive Summary, p2]

Support for this view comes from various sources including research by the OECD, for example, that found that reducing labour market repression and discrimination had a positive effect on HRD and economic performance (OECD, 1996). Discrimination by employers is not only socially abhorrent but also not economically beneficial as it prevents workers from developing their skills and maximising their economic opportunity in the labour market. Discrimination, for example, against migrant workers is an important aspect of this problem and one that could be addressed in the APEC HRD agenda. In general, it would be in both the economic and the social interest of APEC members to broaden the HRD agenda on the terms outlined by the APLN.

#### 4.3.5 Core Labour Standards

Related to HRD is the importance of core labour standards in APEC. The core labour standards as developed by the ILO are included in Box 11 below.

#### Box 11 – Core Labour Standards

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Core Labour Standards form a subset of internationally accepted human rights, as defined in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR), which together form the International Bill of Human Rights. Specific core labour standards are further defined and governed in international law by International Labour Organisation (ILO) and United Nations (UN) instruments, and can be described by reference to ILO Conventions. They comprise:

- The right to bargain collectively and freedom of association (ILO 87, ILO 98), allowing workers the right to establish and join organisations without the fear of dissolution of the organisation by the authorities, and protecting against anti-union discrimination, such as dismissal on the basis of union membership;
- Freedom from forced or compulsory labour (ILO 29, ILO 105), of which forced prison labour is a subset;
- Freedom from exploitative child labour (ILO 138), which attempts to prevent children from entering full time work before a certain age or the completion of a basic education; and
- Equal opportunity standards (ILO 100, ILO 111), which ensure freedom from discrimination in the workplace.

Source: Commonwealth of Australia (1996)

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The APLN has seen the promotion of core labour standards as a mechanism by which the benefits of economic integration can flow to workers to bolster support for APEC and other bodies that promote international trade and investment. The APLN has strongly supported the role that the ILO plays in strengthening the stability of the international economic system by promoting social development and labour rights. The Melbourne Statement notes:

*“...The trade unions of APEC support fully the work of the International Labour Organisation and, in particular, the steadily evolving international code of labour law principles encapsulated in ILO conventions and recommendations...Indeed as the most dynamic of the world’s regions, APEC has a direct interest in ensuring that the ILO’s core standards aimed at preventing repression, exploitation and discrimination are universally applied. Therefore, the work of APEC needs to include an element based upon the examination of the respect for ILO conventions in the region with a view to fostering sound industrial relations in the region.”*

(pages 11-12)

Given the non-binding consensus basis of APEC and the ILO’s expertise of over 75 years standing it would be possible to use the APEC processes to promote core labour standards as developed and recognised by unions, employers and governments in the ILO.

The issue of labour standards in the Asia Pacific region was the subject of a Commonwealth of Australia inquiry in 1995-96.

The Tripartite Working Party on Labour Standards (Chaired by former Trade Minister Hon. Michael Duffy reported in 1995 and produced the 'Report on Labour Standards in the Asia Pacific Region' (referred to hereon as the 'Duffy Report'). The Duffy Report produced an analysis of 'core labour standards' (freedom of association and collective bargaining, non-discrimination in employment, prohibition of forced labour, and prohibition of child labour) and 'non-core labour standards' (minimum wages, occupational health and safety, workers

with family responsibilities etc.). The Duffy Report expressed a position view on the protection of core labour standards in the region. It read at point 206:

*"206. Promoting core labour standards can therefore work to overcome or counterbalance existing market distortions and improve economic efficiency. Policy responses could include:*

- *ensuring freedom of association and collective bargaining to act as a counter-balance to any monopsonistic market power of employers (where employers have the power to set the price for labour, and may therefore undervalue labour) and to provide conditions for enterprise-based efficiency improvements (promoting a better exchange of information between employers and employees);*
- *regulations on non-discrimination in employment aimed at improving freedom of choice and reducing barriers to labour market mobility across occupations and sectors;*
- *prohibition of forced labour aimed at meeting the freedom of choice condition for market efficiency as well as improving resource mobility; and*
- *prohibition of exploitative forms of child labour aimed at improving freedom of choice and preserving and improving the quality of the workforce, which is likely to depreciate rapidly in an exploitative work environment and which will suffer through lack of education."*

[Commonwealth of Australia (1996) p.38]

The Duffy Report surveyed the interactive economic evidence and found that despite claims that labour standards were considered 'back-door' or 'disguised' protectionism the evidence showed that labour standards and international trade can be complementary. For example, the OECD in its analysis of trade and labour standards notes:

*"In conclusion it can be said that in order to raise people's material living standards, countries should seek economic growth, using trade and labour market policies as appropriate means to that end. Labour standards and international trade can be complementary. Such complementarities should be sought by countries and by companies and fostered by the international community."*

[OECD (1995) p.21, emphasis added]

In addition to the OECD material, the Duffy report also provided evidence from the World Bank on the positive role that trade unions and labour standards can play in economic development. It is important that there be formal trade union involvement in the APEC process. The World Bank's 1995 World Development Report noted the positive contribution that unions make to international trade, competitiveness, productivity and economic development generally. Its 1993 Report notes:

*"Trade union activities can be conducive to higher efficiency and productivity. Unions provide their members with important services. At the plant level, unions provide workers with a collective voice. By balancing the power relationship between workers and managers, unions limit employer behaviour that is arbitrary, exploitative, or retaliatory. By establishing grievance and arbitration procedures, unions reduce turnover and promote stability in the workforce - conditions which, when combined with an overall improvement in industrial relations, enhance workers' productivity....."*

*There are very few studies of the relationship between trade unions and productivity in low-and middle-income countries, but a recent analysis of Malaysian data provides some support for the view that unions can enhance productivity and efficiency (Table 12.1). Unionised Malaysian firms tended to train their workers more and to use job rotation to enhance flexibility and efficiency. They were also more likely to adopt productivity-raising innovations relating to technological change, changing product mix, and reorganisation of work."*

[World Bank (1995) p.80]

The Duffy Report considered the current trade policy institutions that Australia is involved in to see what trade policy mechanisms were available to help promote labour standards in the Asia Pacific region. The Duffy Report found that APEC, as a consensus-based institution had more potential to effectively promote labour standards, compared to a formal legally binding institution like the World Trade Organisation (WTO).

The Duffy Report noted the uniqueness of APEC as an informal non-negotiating forum. It says:

*" APEC works on a consensus approach aiming to reach decisions supported by, and thus likely to be implemented by, all members. This style allows APEC to have a broad membership, including members who would opt out of a more formal process. However, this does limit the APEC agenda to those items which can attract broad support."*

[Commonwealth of Australia (1996) p.23]

In its recommendations, the Duffy Report believed that the APEC forum has the potential to gradually develop "a constructive dialogue on core labour standards". It notes:

*"The Working Party notes that there is indeed, currently very little support amongst APEC members for the discussion of labour standards in APEC. However, having regard to the growing significance of the labour standards issue in international fora.....the Working Party is of the view that, notwithstanding the present lack of consensus on the inclusion of labour standards in APEC, it will, at some stage, be necessary for APEC to address labour standards issues as it develops as a forum for broad-based economic cooperation.....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) pp 72-3]

The Duffy Report suggested that Australia, with its commitment to trade in the region and its key role in international labour fora in the past, would be a good 'honest broker' in any discussion of labour issues in APEC. Indeed the references to social/human development in the Subic Declaration in the Philippines (and continued in Vancouver) suggests that these types of issues cannot and should not be outlawed from any future APEC agenda.

It is clear from the APLN and the evidence provided in the Duffy Report that there is a role for labour standards in APEC.

#### 4.3.6 Social Safety Nets

The final theme of the APLN statements has been social safety nets. This responds to the problems of unemployment, underemployment, poverty alleviation, and structural adjustment. Social safety nets can include social security, education, labour protection and related labour market measures designed to minimise the pain of economic change. The desire for social safety nets has gained some urgency and support in official APEC circles in the context of the Asian financial crisis. For instance, at an APEC Finance Ministers meeting in May 1998, the communique referred to "...an assessment of the current economic situation and policies to restore financial stability and growth, including measures to strengthen social safety nets to help cushion the impact of the (Asian) economic crisis on the poor.." (as reported in The Australian, 28 May 1998, p30). This follows on from the strong statements from the Managing Director of the IMF, Michel Camdessus on the need for "...social safety nets and a dialogue with labour." (see Camdessus, 1998 above). The APEC processes should incorporate the resources and expertise of the trade unions of APEC through the APLN in developing social safety nets in the Asia-Pacific region.

#### 4.3.7 The Status of Women

The APLN has consistently made reference to the importance of equality and the need to improve the status of women in APEC economies. For instance the Kuala Lumpur Statement (p.5, point 11) reads:

*“Successive APEC Leaders’ Declarations have spoken of the importance of actions to help women, yet have confined their actions to meetings of women entrepreneurs. But women workers are particularly vulnerable to the adverse effects of market-driven policies that ignore prevailing social inequalities and have been especially hard-hit by the current economic and financial crisis. To give effect to the words of the Leaders’ Declarations, the Kuala Lumpur Leaders’ Meeting should agree to adopt measures and monitoring mechanisms to overcome discrimination in the economies of the region against women and against other vulnerable groups including indigenous people, and provide recommendations for further action on that basis, which should include guidelines for enhancing maternity protection in the APEC region.”*

The APLN recognises the importance of social institutions in improving the status of women in the labour market in areas of equal pay, parental leave, and non-discrimination in employment.

#### 4.4 Summary- Global Economic Integration and Civil Society

The trade union movement has responded to APEC through the APLN and its international institutional framework. Resource-wise this seems to be the most effective course though unions should not ignore APEC level processes at the national level. APLN, as shown above, has been careful to focus on key themes in APEC where trade unions have a ‘comparative advantage’, that is, income distribution, labour standards, education and training, HRD and social safety nets. It is best that trade unions continue to try and influence APEC as it should try to shape all international economic institutions that affect workers. Indeed, one of the consequences of the Asian financial crisis, is that the world community is thinking about the adequacy of its Bretton Woods economic institutions – the IMF, the World Bank, etc. One thing that is increasingly being recognised is the need for a social dimension in international economic integration. This has been a major theme of the ICFTU’s ‘Globalisation on Trial’ Statement to the IMF and World Bank (see ICFTU, 1998). Other bodies have also called for the need for the social dimension to be included in international financial infrastructure. For example a policy report by the Leadership Council for Inter-American Summitry for the “Summit of the Americas” in Santiago in April 1998 stressed the need for summitry to “...encourage civil society participation in hemispheric decision making.” In the context of economic integration in the Americas, the report notes:

*“ Since Miami, some governmental and private sector leaders have failed to build support for free trade and the FTAA. We urge leaders, particularly in the big markets of the United States and Brazil, to engage in concerted efforts to build a public case for the FTAA. We also believe that the broader Summit agenda outlined here – with its emphasis on more honest and open government, a better distribution of the fruits of growth, more equal opportunity through access to education and the protection of labor rights, as well as the protection of the environment – if properly explained and implemented, would alleviate many of the fears that are driving citizens towards trade protectionism..”*

[North-South Center (1998) p.15]

A broadening of the agenda in the APEC context to include such issues would also assist the popularity of the basic economic objectives of APEC of open regionalism and economic co-operation. How APEC can do this with respect to labour issues is the subject of the recommendations in next section of the paper.

## 5 Recommendations on the Labour Agenda for APEC

The paper so far has provided the background to APEC and the labour movement's response to it through the APLN. This section provides eleven practical recommendations that attempt to broaden the APEC agenda and provide a voice for the workers of the region in APEC processes. The recommendations could be adopted by the APLN and presented to the APEC Leaders Summit. The recommendations are summarised in Box 12 below and then explained in detail.

### Box 12 - Recommendations for the Labour Agenda

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- Formal recognition of 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.
  - 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.
- 

#### 5.1 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. APEC would benefit from having the views of the region's 1.3 billion workers expressed through the APEC Labour Forum. 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 is 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. PECC's membership encompasses all APEC economies and PECC itself has official observer status at APEC Leader Summits. PECC has a number of taskforces that are similar to the APEC Working Groups. An active taskforce, for example, has been the Human Resource Development Taskforce (PECC-HRD).

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. It is important to note too, that PECC itself has endorsed the value of trade union involvement in APEC processes. Charlton (1997: p6) has written:

*"There is a need to strengthen PECC-HRD by including representatives from the business community, macro-labour market analysts and a representative from member economy's apex trade union organisation on the member economies HRD taskforces."*

The APLN structure provides a ready-made institutional framework that can be integrated into existing APEC processes. The APEC member countries should formally recognise the APLN as a formal part of the APEC process.

## 5.2 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, trade unions and industrial relations, labour market adjustment, unemployment, income inequality, poverty alleviation, social safety nets and social protection, education and training, 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, IMF, and the Asian Development Bank (ADB).

## 5.3 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 as minimum standards, anti-discrimination, portability of entitlements etc. APEC economies could learn from each other about migrant worker employment conditions and provide an improved and universal system for migrant workers, the employers of migrant workers and governments.

#### **5.4 Technical Assistance on Occupational, Health and Safety**

Occupational, Health and Safety (OHS) 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 include training and support for worker representatives given the technical nature of OHS. Whilst it is of course difficult to harmonise OHS standards it would be possible to improve OHS standards in developing countries through aid and technical assistance. The ILO has an important role in this process – given its technical capacity and input from trade union and employer experts on OHS.

#### **5.5 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, HRD and Social Security. Technical assistance could also be provided by the ILO, World Bank and ADB.

#### **5.6 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 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. 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.

The labour market status of women is an important policy issue throughout the region. Accordingly APEC should set up a major project on equal pay and women in the labour market. It can do so with assistance from the ILO, trade unions, employers and community groups that specialise in women’s issues.

APEC is home to large proportion of the world’s indigenous people. The special labour market problems of indigenous people – particularly in rural areas should be considered by APEC. APEC can draw on the expertise of the ILO, trade unions, employers and community groups that specialise in indigenous issues.

Regional adjustment is an important labour market problem in APEC. There are important economic consequences to rural-urban migration that occurs in APEC. As part of the APEC Social Fund (see 5.5) APEC should consider the special problems of rural populations and economic development.

#### **5.7 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.

## 5.8 APEC Dialogue on Core Labour Standards

APEC, as a consensus, non-binding institution should begin a dialogue on core labour standards as defined by the ILO conventions. Indeed as the Duffy report has noted:

*“...having regard to the growing significance of the labour standards issue in international for a, as evidenced by the Delhi Declaration and the Declaration of the World Social Summit, the Working Party is of the view that, notwithstanding the present lack of consensus on the inclusion of labour standards in APEC, it will. At some stage be necessary for APEC to address labour standards as it develops as a forum for broad-based economic co-operation.”*

[Commonwealth of Australia (1996) p73]

APEC, given its non-binding status (unlike the WTO) would be a good place for a multilateral discussion on labour standards to begin. As a related measure, APEC should 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. As part of the dialogue on core labour standards consideration should be given to harmonisation of labour standards in like-economies who are members of APEC. This would provide some guidance to a program on core labour standards throughout APEC. Two economies could provide a ‘test case’ for the rest of APEC on harmonisation of core labour standards.

## 5.9 Technical Assistance on Trade Union Recognition, Conciliation and Arbitration and “Industrial Relations Infrastructure”.

Many developing countries are dealing with the establishment of emerging democratic institution including free independent trade unions. As this is a new experience for some of these economies, APEC should support the provision of technical assistance from the more mature industrialised countries on freedom of association, development of trade union structures, employer associations, industrial tribunals, conciliation and arbitration and related matters. 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 (e.g. Australia assisting Indonesia.) APEC could oversee this development in combination with the ILO.

## 5.10 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. (see 4.3.3. above). 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. The workers and communities of APEC need to be satisfied that there are adequate social protections (including core labour standards) that MNEs will not violate in the drive for investment throughout the region. Having a ‘floor’ of social and labour protections in place is the best insurance against a return to protectionism and measures against foreign direct investment (FDI) which would be disastrous for APEC and ultimately for the world economy. This was a major rationale for the inclusion of

labour standards in the proposed Multilateral Agreement on Investment (MAI) in the OECD (see ACTU (1998)). The MAI was controversial as it provided rights for MNEs without similar rights for governments, labour and the community.

#### 5.11 APEC Social Dimension Working Group

APEC has a number of active working groups in its structure but none that specifically deal with social protection. Accordingly, working groups should be set up to deal with social and employment dimension of APEC, with the full participation of trade unions, employers and other social partners. The APLN Kuala Lumpur Statement notes that a Social Dimension Working Group "...would examine income and employment generation programs, retraining and other social protection measures and identify those suitable for rapid implementation."

[Source: 'Kuala Lumpur Statement', APLN, 1998]

## 6 Constraints on the APEC Labour Agenda

There are a great number of obstacles in the path of the labour movement's agenda for APEC. The obstacles are both political and practical in nature. However, the union movement has overcome seemingly insurmountable obstacles in its history and often thrives in adversity. The constraints on the labour movement's APEC agenda are listed below (see Box 13).

### Box 13 – Constraints on the APEC Labour Agenda

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- Labour Organisation independence.
  - Anti-labour political forces.
  - Resources and domestic priorities.
  - Backlash against globalisation.
  - 'North-South' and 'East-West' divisions.
  - The Asian financial crisis.
- 

#### 6.1 Labour Organisation Independence

One of the difficulties of co-ordinating trade unions across the region is the diversity of labour organisations across countries and the degree of government influence. It is difficult to work with trade unions in some countries if they are controlled by the government and/or the military. Unions must be free and independent of government influence. For example it is difficult for APLN to work with unions in China because of the influence of the Communist Government on labour organisation. There has been similar difficulties in Indonesia whereby has had strong government involvement recently. There have been some signs of reform with the release from prison of some independent labour activists. This will be less of a problem with the emergence of democracy in APEC, but APLN needs to be wary of the lack of independence of trade unions in some APEC member countries. APLN also has to be wary of how some unions are influenced by companies. The unions in APLN must be democratic and representative even if they are company-based unions.

#### 6.2 Anti-Labour Political Forces

It is important to not just concentrate on developing and communist countries when highlighting anti-union behaviour. In the developed economies too – notably in Australia and New Zealand – unions are under attack from conservative governments and employers. The recent waterfront dispute in Australia is an example when the Federal Government conspired with a stevedoring company, Patricks, to illegally dismiss employees solely because they were members of the Maritime Union of Australia (MUA). It will be hard for established union movements in richer APEC countries to assist fledgling unions in poorer APEC countries when they themselves are under attack.

### 6.3 Resources and Domestic Priorities

Another problem for unions is their lack of resources – financial and human – and their need to put domestic priorities ahead of international work. Typically unions – even peak councils – struggle for resources to attend international meetings and support their overseas counterparts. Traditionally unions are domestic organisations. International issues are often treated as sideshows or even rewards for union delegates and long-serving union staff members. Overall, domestic issues come first and a unions' performance is measured as such. Of course, there are exceptions to the usual 'domestic-first' strategy. For instance the international links were important in the MUA's industrial battle with Patricks and the Howard Government in the Australian waterfront dispute (mentioned above). Other transport unions have important international links – especially in aviation. The coal miners too have a tradition of international solidarity. However the nature of these industries has dictated that there be an international component that is "core" to the union's industrial activities. Not all unions are like this so it will always be hard for international activity to compete with domestic concerns and objectives. Technological advancement and global economic integration will bring international issues closer to the 'core' agenda of unions but resource wise it is difficult for unions to devote their energies to this agenda. Hence the importance of APLN and the international trade secretariats. Unions will continue rely on these institutions for their input into international issues and institutions like APEC.

### 6.4 Backlash against Globalisation

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 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 (global) social protection than revert to trade protection.." In fact these arguments are supported by the empirical evidence presented in Rodrik (1997) that finds that economies with more open economic regimes tend to have higher rates of unionisation and social protection (using spending on social security and labour market programs as a proxy).

This debate has important implications for policy makers in APEC. They should consider the social dimension of APEC for if community and labour support collapses then there is a threat of a return to trade protectionism. An ideological free trader who dismisses distribution and social stability implications is probably free trade's biggest enemy. APEC Leaders and policy makers need to listen to the voices of labour and the community rather than the ideologies if they want to maintain support for the APEC process.

### 6.5 'North-South' and 'East-West' Divisions

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)). However 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 a 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).

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 reform and equitable economic policies. Trade unions should not be put off by alleged 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.

Trade unions should similarly not be concerned about alleged 'East-West' divisions. Firstly, there is an important debate occurring about the role of 'Asian values'. (See Davies (1994), Kim Dae-Jung (1994) and "Asia's Destiny" in The Australian, 31/12/94).

Secondly, the APLN and the international trade union movement is culturally diverse and can distinguish between genuine cultural questions and questions of trade union independence and democracy.

Finally, these issues of 'North-South' and 'East-West' divisions are not constraints because of the nature of APEC as a consensus-based institution. APEC members do not impose one set of views or policies on other APEC members. Rather, APEC relies on the collective and shared experience of its diverse membership to build co-operative and sustainable programs. For this reason APEC would be an ideal institution in which to formulate policies on labour standards and social development. APEC can deal with policy recommendations by consensus and come up with programs that suit all APEC members regardless of their level of economic development.

APEC is the ideal institution in which to give labour a voice in the global economy.

## 6.6 The Asian Financial Crisis

The Asian financial crisis emanated from large swings in capital flows and exchange rates in the Asia Pacific region beginning with the devaluation of the Thai baht in July 1997. Dr. Stephen Grenville, Deputy Governor of the Reserve Bank of Australia (RBA) has outlined how the combination of exchange rate changes and domestic weaknesses in Asia's financial systems brought about the crisis and the need for intervention by the IMF.

*"An uncomfortable problem became a crisis because of the weakness in the exchange rate infected the financial sector. This occurred through a variety of channels – in some cases, banks had borrowed heavily in foreign currency; more often, the borrowers were the non-bank business sector. As the exchange rate fell, their burgeoning foreign exchange obligations pushed the enterprises under water, and they defaulted on their debts to the domestic banking sector. At the same time, foreign lenders, who had felt protected by the foreign currency denomination of the loans, now realised that a fall in the exchange rate*

*increased their credit risk, and so they pulled credit lines or failed to roll over short-term debt.”*

[Grenville (1997) p.23-24]

*“This exchange rate shock impinged on financial systems which already had fracture lines and structural tensions. There were a number of specific weaknesses – connected lending, government directed loans, poor credit evaluation, lack of transparency, and inadequate prudential supervision. The situation was sustainable if growth and capital flows were maintained, but was not sustainable in the harsh world in which we live, where confidence is fragile, capital flows are flighty, and the stabilising forces of the ‘fundamentals’ are slow to assert themselves.”*

[Grenville (1997) p.23-24]

The RBA analysis by Dr Grenville was followed by further comments made by the Governor himself, Mr Ian MacFarlane. Governor MacFarlane explained that the financial crisis was not confined to Asia and that it could not be explained in terms of financial infrastructure and governance in Asian economies. The problems of financial infrastructure and governance in selected Asian countries, he argued, were a necessary but not sufficient explanation of the Asian/world financial crisis.

Governor MacFarlane says:

- *“The main change is that since August this year we no longer think of an Asian crisis but we now think of either an emerging markets crisis or a general world financial crisis.*
- *A second important change is that the western policy establishment can no longer believe that the root cause of the problem is the inadequacy of the financial infrastructure and governance of some formerly rapidly growing Asian countries. Of course, not everyone used to believe this, but there were some very influential institutions that thought this way.*
- *Everyone is now aware that contagion is a much stronger force than formerly thought. Contagion is an essentially irrational force which tars large groups of countries with the same brush, and causes fear to over-rule reason.*
- *Given the bigger role for contagion, more and more people are asking whether the international financial system as it has operated for most of the 1990s is basically unstable. By now, I think the majority of observers have come to the conclusion that it is, and that some changes have to be made.”*

[I. MacFarlane (1998) Talk to East Asia Summit, Singapore, 14 October 1998]

Governor MacFarlane also mentions the importance of hedge funds and an improvement in ‘future crisis management’ with respect to the IMF and Brazil.

Similar analysis on the international financial system has been undertaken by the ICFTU in its ‘Globalisation on Trial’ Statement. The ICFTU makes specific mention of hedge funds and international capital market deregulation. The ICFTU notes:

*“Over the past three decades but with an accelerating pace in the last ten years, a 24 hour global market for stocks, bonds and other forms of financial instrument has evolved linking money centres around the world. Ingenious new methods of multiplying credit have developed, entailing ever more risks of contagion spreading throughout the world in the event of serious problems arising in one or more markets. Speculative short term flows of capital have grown to volumes that outweigh the ability of most central banks, even when supported by IMF and other forms of international assistance, to stabilise currencies one a flight of capital takes hold. The consequences of financial turmoil, such as that which started in Asia in the second half of 1997, are a rapid, steep and deep economic downturn*

*leading to large scale job losses and increasing poverty in the countries most affected, which spreads through a collapse of imports to trading partners and undermines confidence in other far distant markets also perceived by investors as risky.”*

[ICFTU (1998) p.9-10]

There are in fact a multitude of explanations of the crisis from both official and unofficial sources. However most of these reports track the economic causes and impacts of the crisis. By contrast the ILO has produced the first major report on the social impact of the crisis. (see ILO (1998) and Haworth (1998)). The social impacts emanate from the labour market problems of the crisis and the lack of social safety nets in place in the countries most affected by the crisis. With retrenchments, unemployment, underemployment, no effective wage structure or social security system in place it is no surprise that there has been political instability particularly in Indonesia, Malaysia and Korea. For the case of Korea, see Ha-Joon Chang (1997).

Some may argue that the Asian financial crisis inhibits the trade union 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 should be seen by trade union as a window of opportunity for democratic and economic reform. Trade unions can argue that democratic reform, 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]

Mr Camdessus comments were also reflected in the communique of the London G8 meeting of Finance, Economics and Labour Ministers on 21-22 February 1998. The G8 Statement reads:

*“We recognise the important contribution made by international trade in expanding earnings and employment opportunities for workers, in an environment that fosters labour rights and education and training opportunities. We must also ensure that all segments of society, and indeed all countries across the globe, have the opportunity to share in the prosperity made possible by global integration and technological innovation. We renew our support for global progress towards the implementation of internationally recognised core labour standards, including continued collaboration between the ILO and WTO secretariats in accordance with the conclusions of the Singapore conference and the proposal for an ILO declaration and implementation mechanism on these labour standards. The crucial role of the Social Partners should be recognised in this process.”*

[G8 (1998), p.1]

The Asian financial crisis illustrates the importance of trade unions and labour standards as a prerequisite for democratic reform, political stability and sustainable economic development. This is the message that trade unions can take into APEC to help Asia out of the crisis and to contribute to the economic and political institution-building that is needed to ensure that there is not another crisis of the same making.

## **7. Conclusion**

This paper assesses the development of the APEC process and the means by which labour issues can be incorporated into the APEC agenda. Whilst the APEC process, since its inception in 1989, has been mainly involved in trade liberalisation and economic co-operation, it is important for regional stability that the social dimensions of APEC be given close attention. The urgency for this has been heightened by the Asian financial crisis which has brought enormous social and labour market implications to the APEC economies, particularly in East Asia. The paper has been developed in five parts.

Firstly, some background to APEC was introduced in terms of its history, structure and key communiqués. Its informal, non-binding, consensus nature was emphasised as well as the diversity of its membership.

Secondly, a sketch of the industrial relations and labour market aspects to APEC was provided. The section highlighted the diversity of the APEC's labour markets due to differences in economic development and political systems.

Thirdly, the paper provided details of the labour movements' response to APEC. This included the development of the APLN in 1995 and its activities on international economic, political, and social issues.

Fourthly, the paper provided further practical recommendations on how APEC's Labour Agenda could be advanced. The recommendations are modest but workable given the nature of the APEC process and the resources available in the region's labour movement.

Finally, the paper outlined future obstacles to advancing the APEC Labour Agenda. Most revolve around international and political issues and the anti-labour influence in both developed and developing economies in APEC.

The paper argues that the Asian financial crisis is not a significant restraint on APEC's Labour Agenda but in fact will assist the agenda for social development and democracy in the region.

Whilst the paper primarily focuses on the role of trade unions, it does not downplay the importance of employers and governments in the APEC Labour Agenda. In fact, it argues that a tri-partite approach of governments, business and labour, together with the technical expertise and experience of the ILO would be the most appropriate and sustainable way to advance the agenda.

APEC would benefit from the ILO's practical experience in social development. For APEC to succeed it needs to embrace the Labour Agenda. Unless APEC can show that its outcomes improve the living standards of workers and their families, then it will be subject to attack from the forces of economic isolationism. APEC must have a social dimension to survive as an international institution. By taking on the recommendations in this report APEC will be greatly assisted by having the voice of the regions 1.3 billion strong workers included in APEC processes. It is an opportunity that APEC cannot afford to miss.

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## LIST OF ABBREVIATIONS

ABAC	APEC Business Advisory Council
ACTU	Australian Council of Trade Unions
ADB	Asian Development Bank
APEC	Asia Pacific Economic Cooperation
APLN	Asian Pacific Labour Network of the ICFTU
EPG	Eminent Persons Group
EVSL	Early Voluntary Sectoral Liberalisation
FDI	Foreign Direct Investment
G8	Group of Eight
GATT	General Agreement on Tariffs and Trade
HRD	Human Resource Development
HRDWG	Human Resource Development Working Group
IAP	Individual Action Plans
ICFTU	International Confederation of Free Trade Unions
ICFTU-APRO	International Confederation of Free Trade Unions – Asia and Pacific Regional Organisation
ICFTU-ORIT	International Confederation of Free Trade Unions – Inter-American Regional Organisation of Workers
ILO	International Labour Organisation
IMF	International Monetary Fund
MAI	Multilateral Agreement on Investment
MAPA	Manilla Action Plan for APEC
MNE	Multinational Enterprises
NAFTA	North American Free Trade Agreement
NICs	Newly Industrialising Countries
OECD	Organisation for Economic Cooperation and Development
OH&S	Occupational Health and Safety
PECC	Pacific Economic Cooperation Committee
PECC-HRD	Pacific Economic Cooperation Committee – Human Resource Development Taskforce
PRC	People’s Republic of China
RBA	Reserve Bank of Australia
TUAC-OECD	Trade Union Advisory Committee to the OECD
WTO	World Trade Organisation