International trade agreements and trade unions

Briefing notes

for current debates on public sector issues

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INTRODUCTION

The PSI series of *Briefing Notes for current debates on public sector issues*, of which this is one, examines some of the issues, challenges, facts and trends in a number of public services or on particular public sector themes. The *Briefing Notes* address basic general questions on why the public sector has become an 'issue' in recent years, the development of the public sector and challenges thrown up by privatisation and public sector reform. Where possible and relevant, each *Briefing Note* identifies strategies trade unions are developing or could develop to deal with these issues.

The series grew from PSI material, finalised in 1995, on alternatives promoted by public sector unions. Initially conceived as a PSI economic strategy alternative to neo-liberalism, this developed into *A public sector alternative strategy* which looked at the full range of issues subject to neo-liberal policy prescriptions (including deregulation, labour markets, the social wage, taxation, trade and labour standards, the macro-economy, employment and unemployment, etc.). That publication was quite dense and compact and it was agreed that PSI needed to do other things to extend this material. Part of that was the production of an educational programme, *Democratising the global economy*, aimed at helping trade unions work through the alternative strategy material with their members so that they could be on top of the reform agenda.

The PSI Public Sector Working Group decided to merge this work with other 'fact-sheet' material on privatisation, public sector reform, contracting out, structural adjustment and other issues relevant to debates on the role of the state and the modernisation of the state at all levels. In theory, this means that the *Briefing Notes* can cover as many topics as are relevant to public sector trade unions' struggles to modernise the state, to promote and defend public services and to defend public sector workers and their unions.

This is one of a set of *Briefing Notes for current debates on public sector issues* produced by Public Services International, PSI, the international federation of public sector trade unions. The introduction to this paper explains the content of the series. The papers are meant to serve several purposes: to help trade unionists understand some of the issues; to enable trade union educators to run short sessions on public sector issues with their members; to provide material for union leaders writing speeches or informational material for wider audiences; and for distribution to a range of interested people. Further copies can be obtained from

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At the stage this *Briefing Note* was finalised (March 1997), titles in the series included:

- Public services and private interests
- The roots of privatisation
- Privatisation in transition economies
- International trade agreements and trade unions

International trade agreements and trade unions

"The "trickle down" theory of trade policy does not work. There are no automatic mechanisms by which expanded trade leads to improved wages and working conditions. Only action by trade unions through collective bargaining in a framework of fair labour laws can ensure that increased trade results in higher living standards for workers" (ICFTU Economic and Social Committee, Labour Rights and Trade - Social Clause, Brussels, 1993).

"APEC is not for Governments. It is for business. Through APEC, we aim to get governments out of the way, opening the way for business to do business." (Joan Spero, Under-secretary of State for Economic, Business and Agricultural affairs, statement to US Congress Committee, July 1995).

The last decade has seen a growth in importance of international trading agreements (ITAs) which seek to reduce barriers to both trade and investment. This can mean a range of measures, from removing barriers to imports of products, like tariffs, to removing barriers to foreign investment, like requirements for local partners or use of local inputs. Some agreements assume that government provision of services constitute monopolies which are barriers to competition by private firms, and so support privatisation. Thus ITAs can restrict the policy choices available to governments and can have a major impact on living standards. Often they are signed by governments with little public information or democratic debate.

GATT (the General Agreement on Tariffs and Trade) is a global trading agreement, now administered by a new body called the World Trade Organisation (WTO).

The European Union, NAFTA (North American Free Trade Agreement) and APEC (Asia Pacific Economic Cooperation forum) are examples of regional trading arrangements, although the European Union is, of course, a lot more than just a trading agreement.

All are signs of world-wide moves to greater competition and integration, sometimes called globalisation. Transnational corporations (TNCs), mostly based in industrialised countries, and often with greater economic power than some governments, are locating production throughout the world and challenging national barriers to trade and investment.

Background to Globalisation

The global economy has been dominated historically by the industrialised states which have controlled world trade. Under colonialism, colonies produced mainly unprocessed raw materials which were exported to the colonial powers at low prices, processed industrially and then some exported back to the colonies. Colonial powers controlled the terms of trade in their favour. This division of labour impeded industrialisation in the colonies. Many of these relationships continued after decolonisation. Until World War II, the USSR was the only alternative model of development.

World War II saw a huge upsurge in national independence and socialist movements in the colonies. China joined the USSR and Eastern European states as part of the bloc of centrally planned economies. Many other colonies became independent in the two decades following the war.

The US and Britain presided over the establishment of the Bretton Woods international financial system including the International Monetary Fund (IMF) and World Bank, the GATT and the Marshall Plan which were the frame-work for post-war reconstruction in Europe and Japan and for the world financial and trading systems in the post war period. The 'long boom' in growth rates in industrialised countries lasted until the 1970s.

The cold war saw a contest between the major 'free market' industrialised powers, led by the US, against the USSR for influence over the newly independent and 'non-aligned' nations which formed their own bloc from 1956.

TNCs, which had existed in the colonial context, became more prominent in the global system from the 1960's, investing in other industrialised countries and in developing countries.

The Bretton Woods system was thrown into crisis from the 1970s, with the floating of the US dollar in 1973 and the OPEC oil price rises from 1974. The availability of OPEC surplus funds in Eurodollar markets both funded the US deficits and meant banks could offer large loans to many developing countries which then faced steep rises in interest rates and crises in repayments in the 1980s. Many have been forced to adopt harsh structural adjustment programmes which depress domestic consumption and living standards in return for IMF and World Bank loans.

From the 1970s when TNCs in industrialised states faced declining profit levels and rising costs, a new international division of labour began to emerge. TNCs increasingly located production in developing countries, taking advantage of low labour and raw material costs, lack of trade union and human rights, low tax regimes and fewer regulatory restrictions in areas like health and safety and the environment. Often these processes were located in special export processing zones and were part of an export-led development strategy, replacing previous development strategies which had attempted import replacement. The products are often exported to industrialised countries.

The mobility of TNCs can create economic and political problems in their home states when production processes move to lower-wage developing economies, resulting in de-industrialisation and unemployment.

The late 1980s saw the collapse of the centrally planned economies of Eastern Europe and the demise of the Soviet Union as a major power, which ended the cold war. In the absence of a ‘common enemy’, the 1990s have seen increasing economic rivalry between the US, Europe and Japan for trade and investment markets. Both GATT as a global agreement and regional trade agreements like NAFTA and APEC have been arenas for this contest.

ITAs: Costs and Benefits

Many governments claim that increased competition through trading agreements will bring benefits for all. Reducing trade barriers can lead to increased economic growth, but the benefits of growth are not automatically equitably shared, especially by working people, women and other disadvantaged groups. Unless there are proper safeguards and policies, increased competition can mean a race to the bottom for employment conditions and living standards as governments compete for investment from powerful TNCs which can move more freely throughout the world.

The European Union: Social Partners and Social Clauses

The European Union has many critics. But it evolved over many years, has a political as well as an economic dimension, and involves governments, business and trade unions as social partners. It has funds for compensating for the employment and other effects of reduction of trade barriers. It also has ‘social clauses’ which set minimum requirements for labour standards, social services and the environment. GATT/WTO and the newer regional agreements have none of these features and are seen by their most doctrinaire advocates as purely economic vehicles for free trade and free movement of transnational investment.

Global agreements: GATT and WTO

GATT is a world-wide trading agreement, which legally binds governments to reduce trade barriers and open up their economies to imports. GATT was initiated by the industrialised countries following World War II and was signed in 1947. It was intended to reduce tariff and other trade barriers and so increase world trade. But world trade is not a level playing field. GATT has been dominated by the industrialised countries, as are other international economic institutions like the World Bank and the International Monetary Fund. These countries have often been able to maximise their advantages in trade agreements by retaining protection of their own industries through various means where they require it but imposing freer trade conditions on others. Japan, for example, has reduced tariffs but uses the close marketing links of Japanese companies to restrict manufacturing imports and still has tariff and other barriers on rice. The USA and Europe have removed some subsidies to agricultural exports but still make direct payments to farmers, which are effectively subsidies and mean that they can undercut prices in many developing countries, which are now required under GATT to remove subsidies.

Since 1947, GATT has proceeded through a series of multilateral negotiations (‘rounds’) named after the cities in which the initial negotiations took place. These have resulted in agreements which are then ratified by countries which wish to be included as trading partners on the terms of the agreement. The Uruguay Round (UR) is the latest and most extensive series of GATT negotiations which was initiated in Uruguay and completed at Marrakesh, Morocco in April 1994.

The UR of GATT was initiated by the US in 1986, prompted by TNCs wanting greater access to both trade and investment in countries which restricted foreign investment, actively intervened in the economy or protected their domestic industries from competition through tariff or other policies. The UR was accompanied by the neo-liberal rhetoric of smaller government, privatisation and structural adjustment policies, all of which argue for government to make way for market forces. Many developing economies, which have used tariffs and other government industry development policy to assist industrialisation and development, resisted, which resulted in long negotiations. They wished to keep a range of options for government policy and intervention in the economy if it is required. At the same time, they wished to have access to industrialised economies for their products.

Unions and community organisations in many industrialised countries also want to ensure that governments have a range of policy options on industry development and government intervention as well as the ability to maintain and improve labour standards and environmental and health and safety standards.

The UR was one of the longest and most painful of the GATT negotiations and agreement was only reached in many areas by allowing countries to specify in detail certain exceptions and conditions.

It includes substantial tariff reductions on goods and, for the first time, commitments to reduce trade barriers on agriculture, investment (TRIMS) and trade in services, a commitment to harmonisation of product standards and tighter regulation of trade related intellectual property rights (TRIPS), most of which are owned by TNCs.

There is an optional Government procurement agreement which opens all government procurement to international competition. It prevents preferential treatment for local products or firms in government purchasing, and establishes a common set of procedures for purchasing and contracting at every level of government and for all public utilities. This is a separate agreement and some countries which ratified GATT have not ratified it.

Trade disputes are to be resolved through a new body, the World Trade Organisation (WTO), which has replaced the former GATT institution. It has the power to authorise trade retaliation by other countries if, following a complaint, it finds GATT agreements are being broken. The burden of proof will be on the party complained against to disprove the complaint. These are much stronger powers of enforcement than GATT had before. It remains to be seen whether industrialised countries like the US will use it, or rely on bilateral negotiations and sanctions as in its 1990s disputes with Japan and China.

The WTO’s work was really only beginning at the time this publication was being finalised. Over the rest of this century there will be continuing debate (and therefore the potential for union campaigns) on: further rounds of liberalisation, especially in trade in services where the US and some other industrialised countries feel too many exemptions were made; further liberalisation in telecommunications; debates over the inclusion of labour and environmental standards into the WTO rules; etc. Unions will need to monitor these developments and develop international strategies to deal with them, especially in so far as they impact on the public sector - in areas such as public procurement, for example. The first Ministerial Council meeting of the WTO, held in Singapore in December 1996, made a very inadequate reference to the link between trade and labour standards and certainly did not commit the WTO to doing further real work on this linkage. The international trade union movement, including public sector unions, has embarked on a campaign leading up to the next Ministerial Council in Geneva in 1998 to force governments and the WTO to build requirements on respect for internationally recognised labour standards into the rules of the WTO, in conjunction with the ILO. This will need to feed into similar work in the (re)-negotiation of regional trade agreements. This is referred to again below.

Questions for discussion

1. **To what extent is your country’s economy dependent on trade? How much of this involves Transnational Companies (TNCs)? Are the major TNCs in your economy**

based in your own country or in some other country? Does your union have any experience of or policies on dealing with TNCs?

2. **Is your country involved in any international or intergovernmental treaty or political institutional agreements which cover regional, international or global trade (even if that is not its main objective)? Do you know (or can you find out) whether such agreements cover any public sector activities (privatisation, public services, public utilities, public procurement, etc.)? Can you arrange for this knowledge to be brought to the attention of union members so that they can decide whether they should be campaigning on any of these matters?**
3. **Do you know whether your present government is happy with the treaties/agreements of which it is a part? Would it like to revise them or extend them? Should unions be working with your government on these issues or lobbying against it? How can it do this?**
4. **Do you think that ordinary people and community organisations might be interested in working with trade unions on these issues? How? Why? What should the union(s) be doing to make this possible?**

Regional Trade Agreements
Recent regional trade agreements like NAFTA and APEC have been a response by the US and Japan to rivalry for economic influence and insurance against the failure of global trade measures. They seek to create larger regional markets by reducing trade barriers, and promote privatisation, deregulation and foreign investment.

NAFTA: NAFTA, the free trade agreement between the US, Canada and Mexico, came into effect in 1994, and is a legally binding agreement which goes further than GATT. It provides for the phased elimination of tariff and most non-tariff barriers on trade within 10 years from 1994 and covers trade in manufactures, agriculture and services. It also promotes deregulation and privatisation. It has been described as '2000 pages of what governments can no longer do.'

Before NAFTA was signed, unions and community organisations in all three countries formed alliances and raised concerns about unemployment effects and restrictions by NAFTA on industry policy, social and public sector policy, health and safety and environmental standards and labour standards.

This pressure on the incoming Clinton Democratic administration in 1992 resulted in US support for, and the inclusion of, 'sidebar agreements' to NAFTA on labour standards and the environment. The labour agreements oblige each country only to enforce effectively its own labour law and do not contain any common minimum labour standards or mechanism for achieving them. However it is regarded as an important precedent for linking trade agreements and labour standards and US and Mexican unions are testing its powers through lodging complaints under the procedures. So far these have proved complicated, lengthy and have not obtained clear results for workers.

NAFTA extends the intellectual property rights of mostly US TNCs, which means that very high royalties for products ranging from drugs to computer software have to be paid for longer periods. This means that Canada can no longer have a domestic pharmaceuticals industry which produces cheap generic medical drugs under licensing agreements.

NAFTA provisions are also ambiguous about to what extent the Canadian Government can retain the right to provide public health services on a needs basis, rather than a commercial basis. If health services are defined as commercial services, they can be challenged under NAFTA by competition from US private hospital and insurance companies, which dominate the private and very expensive US system. This would mean privatisation of Canada's public health insurance and public hospital system which is actually less costly and more equitable than the US system and enjoys strong public support.

NAFTA was originally not binding on some areas of provincial government activity, which includes many education, health and social services. The Canadian federal and provincial governments in July 1995 signed an agreement called the Agreement on Internal Trade (AIT). This is similar to Australia's National Competition Policy (see Box) and aims to reduce trade barriers between provinces and promote deregulation and privatisation of activities now undertaken by provincial governments. Some provincial governments have sought to exempt some services from the policy. If services are not exempted, this policy could extend access by US and Mexican firms to them under the NAFTA provisions.

The most dramatic effects of NAFTA have been experienced in Mexico. On 1 January 1994, farmers and peasants in the southern province of Chiapas launched an armed uprising, citing NAFTA, which they described as 'a death certificate for the Indian peoples of Mexico' as one of their grievances. Mexican farmers argued that their staple crops of corn and beans would be undercut by cheaper (and still subsidised) imports from the US. This political instability was matched by economic instability in the form of a balance of payments crisis late in 1994 which appears to have been triggered partly by a flood of imports resulting from the NAFTA reductions in tariffs. This led in turn to a loss of confidence by international markets in the Mexican currency and the imposition of draconian adjustment measures in return for emergency loans from the United States and other sources. There has been an enormous fall in living standards for the majority of people, including massive devaluation and consequent price rises, erosion of real wages and huge cuts in public expenditures and services. These effects were not predicted by governments, although unions and community organisations did raise some of them in the debate.

Researchers from Mexico, the US and Canada have conducted studies of the impact of NAFTA over its first two years in all three countries. They conclude that NAFTA was not the sole cause of Mexico's economic crisis but has worsened it. The crisis had been developing since the structural adjustment policies of 1982 which imposed deregulation, privatisation, devaluation and high interest rates. In 1996, Mexico had higher unemployment, lower real wages and greater poverty and inequality than it did in 1981. Export growth and job growth was narrowly concentrated in three manufacturing sectors and 300 firms (mostly TNCs) accounted for 70% of exports.

One study tested Government claims that NAFTA would increase both jobs and wages through economic growth in all three countries and would also improve the environment, food security and reduce illegal immigration. Instead, it found that over the previous two years, for all three countries, job growth from increased exports had been counter balanced by job loss from cheap imports, and real wages had not increased. For example, the *maquiladora* industrial area in the Mexican border area had grown but the increase in industrial jobs had been offset by loss of jobs in local firms and agricultural employment. The region was still highly polluted, with no improvement in waste disposal systems. Mexico's production capacity in staple foods was reduced and higher unemployment and poverty led to an increase in illegal immigration to the USA. The US Government has responded with militarisation of the border and harassment of suspected 'illegals', which caused resentment and tension in Mexico and amongst Mexicans living in the US.

Mexico has had structural adjustment programmes since 1982. NAFTA contributed to the 1994 economic crisis which accelerated the decline of living standards. The following statistics show that real 1995/96 wages were lower than in 1981, unemployment was higher and some indicators of poverty, like malnutrition amongst rural children, have worsened.

Gross Domestic Product per capita in 1995 was 11.2 % less than in 1980. In the two year period 1994-5, following NAFTA, GDP per capita fell 7.1%.

Employment: In the 2 years following NAFTA, 142,832 jobs were created in the *maquiladora* industries near the US border, which is the manufacturing export growth area. In 1995, 1.6 million jobs were lost throughout the whole economy following the 1994 crisis, with an estimated one third of domestic businesses declaring bankruptcy.

The potential Mexican labour force increases by 1.3 million per year.

Unemployment: Unemployment rose by 1.4 million in the 2 years following NAFTA. In October 1995, the official statistics showed 3.6 million or 8.9% of the workforce were without any work and a further 6 million, or 16. 6%, were underemployed, in many cases working only a few hours a week. These are higher unemployment rates than in 1981.

Real wages fell by 40% between 1981 and 1992, a period of 11 years. In the two year period 1994-5, following NAFTA, real wages fell 30%.

The minimum hourly wage in the *maquiladora* industries fell from US$2.61 in 1994 to US$1.80 in 1995.

Prices: The price of the basic food basket rose 55% in 1995, and 12.9% in the first three months of 1996. In 1995, the minimum wage would purchase only 35% of the cost of the basic minimum food basket requirements for one person. Apart from the shortfall in food, this left nothing for housing, transport, health education, etc.

Poverty: The 1996 World Bank Report found that 88% of Mexican people live in poverty, with 25% or 25 million living in absolute poverty. The 1995 UNDP report found that 70% of the poor were women. More than 10 million Mexicans (mostly in rural areas) did not have access to regular health services in 1995. The percentage of children 1 to 4 years old in rural areas who suffer from malnutrition rose from 7.7% in 1979 to 15.1% in 1995.

Public Expenditure and Privatisation: US$22 billion was raised from public asset sales in the period 1990-92. Further asset sales including oil, natural gas, electricity, transport and telecommunications are now on the agenda. The social security system was privatised in December 1995, with reductions in benefits and pensions.

Tax revenues fell by 18% in 1994-5. The 1994 crisis resulted in reductions in social expenditure and increases in payments to support the banking system and in increased interest payments on foreign borrowings. The 1995 Budget allocated $US1.42 billion to poverty programs, and US$10.4 billion to the bank rescue package.

Employment in the US and Canada since NAFTA was agreed: The US administration claimed in December 1995 that 340,000 jobs had been created and only 51,000 lost under NAFTA. However, the job creation figure is obtained through a crude formula which claims that each $1 billion of exports creates 1500 - 2000 jobs, both directly and indirectly, through applying a multiplier which assumes increased consumption throughout the economy.

The same multiplier is not applied to the job loss figure which only counts those workers who have lost jobs directly as a result of NAFTA and who have then applied for assistance under a state programme. Thus it does not count those who have not applied for assistance and it does not count indirect losses resulting from decreased consumption in the economy. The rate at which workers were applying for assistance doubled in 1995 compared with 1994.

Gary Haufbauer, of the Institute for International Economics and a supporter of NAFTA, estimated in October 1995 that 225,000 (net) jobs had been lost under NAFTA.

Companies which promoted NAFTA, promising it would mean more jobs in the US but which have since laid off workers, include Allied Signal, General Electric, Proctor and Gamble, Xerox, Alcoa and Zenith. US unions report that companies are using the threat of moving to Mexico to try to reduce wages and working conditions in collective bargaining.

Canada and the US have had a Free Trade Agreement since 1988. NAFTA has accelerated the liberalisation process. The promise of reduced unemployment has not been delivered. Unemployment rose from 7.5% in 1989 to 10% in 1995.

The Canadian Center for Policy Alternatives has monitored 37 companies which are members of the Business Council on National Issues which lobbied for both FTA and NAFTA. In the period 1988-94, these companies reduced their workforces by 215,414 employees.

Over the same period, 334,000 manufacturing jobs were lost. The automotive industry laid off 16,000 workers. Much job loss results from mergers and take-overs by transnational corporations which have rationalised their operations throughout the three countries, frequently moving labour intensive operations to Mexico.

APEC: In November 1994, the leaders of the eighteen APEC countries bordering the Pacific declared their commitment to achieve free and open trade and investment in the Asia-Pacific region no later than the year 2020. The document, known as the Bogor Declaration, further pledged to strengthen the world trading system through the GATT and to accelerate its implementation in the region.

APEC is a ‘voluntary, non-binding and consensual’ grouping of economies, not of governments, partly to avoid the problem presented by the involvement of both China and Taiwan.

But the fact that leaders attend as economic not political representatives underlines its purely economic focus, lack of democratic discussion of its proposals and neglect of the social and political implications of its outcomes. Unlike NAFTA, so far none of its decisions have been legally binding.

APEC has endorsed rapid implementation of the UR agreements in the region and a non-binding document on reducing restrictions on foreign investment. The Finance Ministers' statement endorses smaller government through prudent fiscal and monetary policies, control of inflation and control of fiscal and balance of payments deficits, to facilitate investment flows. The IMF is used as the policy-advising body on investment flows and macro economic policy.

The Pacific Business Forum, which represents both TNCs and national business organisations in the region, has had formal advisory status at APEC and has drafted documents which have had a major influence on APEC documents. Another influential group, the Eminent Persons Group, also has strong business representation. There is no trade union or community organisation representation.

How Viable is APEC? APEC consists of 18 widely disparate countries:

- US, Canada
- Japan
- Australia and New Zealand
- China
- Hong Kong, Taiwan, Korea
- Singapore, Malaysia, Thailand, Indonesia, Philippines, Brunei
- Mexico, Chile, Papua New Guinea

There are obvious problems of different levels of development and different cultural and regional interests amongst these countries, which cast doubts on its viability. APEC was taken up enthusiastically by US and Australia in 1992-3 as an insurance against the failure of the UR and the division of the globe into protective regional blocs. There is still some preference by some countries, notably Malaysia, for limiting regional agreements to the East Asian Economic Caucus, which would consist of the ASEAN nations, China and Japan. The US, Australia and others have much to lose if they are excluded as this region is the fastest growing in the world.

Many developing countries in the region have pragmatically used government intervention and regulation, including on foreign investment, to achieve economic development goals and wish to retain those options.

The US sees APEC as a means of changing the culture in the region towards free trade and eventually more binding agreements which will open up the region to US trade and investment.

Japan is more concerned to build on its extensive investment and trading relations in the region which have been achieved without the use of trade agreements. It stresses the role of APEC as an OECD-type forum for trade facilitation, technical cooperation and aid, rather than as a forum for binding trade agreements.

The industrialised countries have more interest in exporting agricultural products, services and investment, while the developing countries wish to protect some of these areas and are more interested in exporting their manufactures.

Because of these differences, the process towards agreements has been slow, with room for each country to work out its own agenda within very broad targets. Recent tensions over specific trade and other issues between the US and Japan, and the US and China, have reinforced doubts about the coherence of APEC.

APEC's Action Agenda: The November 1995 APEC leaders' meeting in Osaka endorsed an action plan which forms a framework for each economy to proceed voluntarily in a number of key areas. Some of the most significant are: liberalisation of trade in services, including privatisation or corporatisation of transport infrastructure; specific measures on removing restrictions on foreign investment; enforcement of the UR TRIPS agreement; ratification of the

GATT government procurement agreement; and implementation of National Competition Policy based on the Australian and Canadian models in each economy.

If implemented, all the Osaka commitments add up to a significant push for further deregulation, privatisation, and contracting out of government services, with less restrictions on foreign investment and use of national competition policy to expose all government businesses to competition from the private sector. (See Box for background on national competition policy.)

However, for the reasons given above, the non-binding nature of the commitments and the variety of attitudes to them mean implementation is likely to be uneven. This means there is room for unions to press for public debate and democratic processes before governments make firmer commitments.

Questions for discussion

1. **As can be seen from the analyses of the three cases above, it is essential for trade unions to be able to collect and monitor substantial amounts of financial, labour market, social and other data, starting from before new agreements are signed. What does your union need to do to be able to carry out this work: where can it get the data; where can it get the skilled people; with whom can it work; can it get assistance/data from other countries; is there a role for international trade union co-operation?**
2. **If your union does not have these capacities or if it needs to develop and strengthen them, map out a strategy for being able to do this on a basis which is both realistic and sustainable.**

What unions have done

Labour Standards, GATT and WTO: Unions have expressed concern that, in the absence of basic human rights and labour standards based on United Nations conventions in many countries, free trade will intensify competitive pressures to erode labour standards and living standards.

For these reasons, unions have sought to make adherence to basic UN human rights and labour standards one of the conditions of international trade agreements. Unions have argued this since 1948. The International Confederation of Free Trade Unions (ICFTU) has lobbied to have human rights and labour standards included in the rules and machinery of the WTO, as noted above. The 1995 UN World Summit on Social Development included these rights as part of its statement.

Unions believe that human rights and labour standards should be founded on the rights, freedoms and obligations codified in the international instruments of the UN and the International Labour Organisation (ILO) including:

- the United Nations Declaration of Human Rights,
- ILO Conventions: 87 - Freedom of Association; 98 - The Right to Organise/Collective Bargaining; 100 and 111 - Equality and Non-discrimination; 29 and 105 - Banning of Forced Labour; 138 - Banning of Child Labour.

These standards could be implemented through the ILO component of a joint WTO/ILO committee. This would review periodically, or on the basis of complaints provided with evidence, the application of the standards. The ILO component of the committee would be responsible for the review. Its reports would contain recommendations, offer technical assistance and set an adequate time frame for changes to be made. This multilateral process would provide resources to help change to occur and prevent domination by the larger trading powers through the WTO.

Trade related sanctions would only be recommended by the ILO and considered by the WTO if countries clearly failed to respond to this multilateral process.

NAFTA: Unions campaigned with community organisations in Canada, Mexico and the USA around a range of community concerns about NAFTA, including industry policy, social and public sector policy, health and safety and environmental standards and labour standards.

Pressure from unions and community organisations succeeded in getting a side agreement on labour standards attached to NAFTA. As described above, this is not very effective but it is an important precedent in linking labour standards to trade agreements.
Unions in Mexico have been campaigning with community organisations for broad community support for an alternative programme of economic development to the structural adjustment program and requirements of NAFTA. This includes local community education sessions and collection of signatures for a petition supporting the alternative programme. In 1995, half a million signatures were collected and the campaign continued into 1996.
APEC: Unions in the Asia Pacific region met in September 1995 before the November 1995 Osaka APEC leaders' meeting and called for APEC to develop social and human rights agendas with the aim of reducing unemployment and poverty in the region. They called for the implementation of UN human rights and labour standards so that working people had the opportunity to improve their living standards as a result of economic growth in the region. They also called for trade union representation in APEC fora.
The Fair Trade Forum, a forum of unions, environmental, social welfare, church and other organisations was formed in 1995 and has initiated dialogue and public discussion through seminars and other events.

Options for unions
GATT/WTO: Union research, critical analysis and education is required on economic and trade issues, situating them in the context of the neo-liberal offensive and democratic alternatives.
Unions should become informed about what aspects of GATT have been ratified by governments, whether ratification is subject to public or parliamentary debate, and campaign about them.
It is possible for governments not to sign some aspects or to place conditions or exemptions on signing. For example, Australia has not yet signed the government procurement provisions of GATT and there are arguments against it, since it could open to challenge some aspects of the government's Australian purchasing policy which is designed to encourage the development of Australian firms. Many countries have listed only a narrow range of services for inclusion of the trade in services clauses and have kept government services exempt. Unions should be aware of and campaign on national competition policy issues. These issues will also be important for the next round of negotiations under the WTO.
Unions can find out whether studies have been done of the impact of GATT on particular sectors in the economy. If not, unions can initiate them or lobby for them to be done. These studies should include unemployment effects, which are often left out of trade related economic modelling. If such studies have been done, unions can initiate public debate and discussion about their effects and measures needed to compensate for negative effects on employment, prices or other issues in particular sectors.
Regional agreements: Activities and issues for unions to raise include:

- research, critical analysis and education on economic and trade issues, situating them in the context of the neo-liberal offensive and democratic alternatives;
- sectoral and/or regional studies of employment impacts of particular proposals;
- opening of processes to include representatives of unions and other non-government organisations;
- ratification of any agreements being subject to democratic processes and full public debate in each country;
- inclusion of UN/ILO standards on human rights and labour rights as a social clause in agreements;
- inclusion of UN environmental standards in agreements;
- inclusion of codes of conduct for TNC investment and direct negotiation of codes of conduct between unions and TNCs;
- given the wide discrepancies in levels of economic development amongst countries, the establishment of funds similar to the European Community Adjustment Fund, which is available to compensate for unemployment and other adjustment effects resulting from

agreements. Such funds could also be used to assist in **upward** harmonisation of environmental, health and safety and other standards;

- Trading agreement provisions to ensure that governments retain policy control and national sovereignty in areas like industry development, investment policy, public provision of essential services and regulation in the public interest. Abandoning these policies to market forces could be disastrous for living standards and for development;
- Unions, where possible, forming coalitions or working co-operatively with community organisations on these issues. This has occurred in the US, Canada Mexico and Australia as described above.

Questions for discussion

1. **Try to find out what your government's position is with respect to the key ILO and UN conventions and standards which are mentioned above. Do unions need to work (including with other organisations in your country) to get the government to implement or improve its record on these international standards? How should this be done?**
2. **As with the first question, can and should unions be following up on your government's implementation of the commitments and programme of action which it signed at the UN World Summit for Social Development (the 'social summit') in 1995? How?**
3. **Is it likely that your government would be interested in working with trade unions to identify other countries which do not respect key labour standards? How can unions make this happen?**
4. **If your answers to question 3 are negative, are there unions in other countries or at the international level with whom your union could work to put pressure on your own government? How can your union do this?**

Resources for Unions

See the APHEDA glossary box for definitions of key terms.

See the reference list which forms part of the original full version of this publication (as noted below) for useful books and articles. (US, Canadian and Mexican unions have produced material on NAFTA which is on this list. The Asia Pacific Labour network of the ICFTU has produced a document on APEC which is on the list.)

The Focus on the Global South network in Bangkok produces a newsletter, *FOCUS-on-APEC*, which is on the Internet, edited by Shea Cunningham. Contact information: c/o CUSRI, Chulalongkorn University, Bangkok 10330 Thailand. Tel: +66 2 218 7363 or 7364 or 7365, Fax: +66 2 255 9976; focus@ksc9.th.com is the e-mail address; Website: http://www.nautilus.org/focusweb

Patricia Ranald at the Public Sector Research Centre at the University of New South Wales in Sydney has written papers on the implications of APEC for unions and National Competition Policy which are on the list. She is also doing a study comparing the development and social impacts of the EU and APEC and the use of social clauses and adjustment funds. The address is Public Sector Research Centre, University of New South Wales, Sydney, NSW 2052, Australia. Tel +61-2- 385 3241 or 385 1010; Fax +61-2-385 3059; Internet P.Ranald@UNSW.edu.au

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Box: National Competition Policy in Australia

National Competition Policy (NCP)in Australia exposes areas of former public utility provision in water, electricity and public transport to competition and privatisation. The legislation was strongly supported by the Business Council of Australia (BCA) and conservative economists on the grounds that it would lower prices of inputs for business. It was strongly criticised by unions and community organisations, who argued it would mean higher prices and worse services for most consumers. They succeeded in getting some amendments which are intended to protect public interest and equity. Both state and federal governments have passed complementary legislation, with substantial payments to the states from the commonwealth, conditional on implementation.

NCP will mainly affect government business enterprises (GBEs) at state and Commonwealth levels, including water, electricity, gas and public transport. It will also affect Telstra and Australia Post which have complex regulatory frameworks which will come up for review under the legislation. It could also affect other government agencies such as Technical and Further Education, some of whose activities can be defined as business activities, if they are charging for services.

All these organisations will face competition in all areas of service provision unless specifically exempted on public interest grounds.

GBEs will also have to allow competitors access to their infrastructure, such as rail, pipelines and transmission wires.

Competition will occur mainly in the profitable business end of the market, where prices are likely to fall. But it will mean full cost pricing for domestic and rural services and erosion of cross subsidies which are said to be inefficient. Cross subsidies now enable some domestic and rural consumers to pay prices which are less than the full cost of the service. This will mean price rises for many non-business consumers. The Industry Commission Report, *The Growth and Revenue Implications of the Hilmer Reforms,* predicted that competition policy and consequent removal of cross subsidies in Australia would mean water prices for city residential consumers would rise by 20%, electricity prices by 16% and passenger rail fares by 19%, while prices for business users of water, electricity and rail freight would fall.

The legislation also commits the Commonwealth and states to a review of all legislation and regulation against the test of whether it restricts business competition and to achieve more national consistency. This could present opportunities for watering down of public interest legislation in areas like the environment, anti discrimination, equal employment opportunities and health and safety, in the name of reducing anti competitive burdens on business or achieving national consistency.

Glossary of GATT terms (produced by APHEDA (the Australian People for Health, Education and Development Abroad Inc.)

- **GATT:** The General Agreement on Tariffs and Trade is a treaty between 115 governments accounting for 90 per cent of world trade, seeking to establish a set of rules of behaviour to regulate world trade. Negotiations first began in 1947 and were completed in 1993. By attempting to provide a universal, rules-based trading system with non-discrimination as its cardinal principle, GATT tries to ensure that anarchy in trade relations is avoided and solutions to trade problems are sought in an ordered way.
- **GATT ROUNDS:** Since GATT was established in 1947, there have been eight '"rounds" or cycles of trade negotiations resulting in trade agreements. The last round was the Uruguay Round, completed in December 1993.
- **CAIRNS GROUP:** An alliance of agricultural trading nations, led by Australia, which sought to have the issue of agricultural subsidies and their distortion of world markets addressed by GATT.
- **WORLD TRADE ORGANISATION:** The WTO replaced GATT as the forum for future trade negotiations and for settling disputes concerning international trade in early 1995. Unlike GATT, which relied on consensus between nations, the WTO is a very powerful organisation and is able to enforce trading agreements and to take retaliatory action against countries breaking these agreements.
- **TARIFF:** A duty or tax levied on goods taken from one country to another. By imposing a tariff or tax on imported goods, a country is able to protect its domestic industries. But reciprocal tariffs imposed by trading partners then make it difficult for that country to export its products.
- **TRIMS:** Under GATT, Trade Related Investments Measures (TRIMS) regulates trade on finance and foreign investment.
- **TRIPS:** Under GATT, Trade Related Intellectual Property Rights (TRIPS) will provide a system of international protection for a range of intellectual property, including patents, copyrights, trade marks, industrial designs, etc. **TRIPS** will prevent piracy and counterfeiting of creative material produced by artists, authors, musicians, designers, etc. However it could also prevent developing countries producing their own cheap, affordable medicine, and could force them to rely on expensive, imported Western "brand names".
- **TRADE AND ENVIRONMENT:** One of the first duties of the WTO will be to examine the impact of global trade on environmental issues. Companies unconstrained by environmental legislation, and so receiving an indirect subsidy, have an unfair advantage over companies which observe reasonable environmental standards. This will put pressure on all countries to lower environmental standards so their companies do not lose a competitive edge.
- **TRADE AND A "SOCIAL CHARTER":** A "Social Charter of Workers' Rights" is also a crucial issue for the WTO to tackle. When a company or country represses workers' basic rights to a just wage, reasonable conditions and a safe workplace they then have an unfair trading advantage over companies and countries which observe fair labour standards. This puts pressure on all companies to lower labour standards so as to be able to compete internationally. Such a social charter is opposed by some governments and companies in developing countries who claim it is a hidden form of protectionism by developed economies. A social charter, however, is strongly supported by workers and their unions in developing countries as one of the best ways to achieve basic workers' rights.