

**FES Roundtable Workshop
On
"Against A Social 'Race-to-the-Bottom'
– The Demand for An AFTA-Social Charter"**

**30 June to 1 July 2003
Singapore**

C 05 -01070

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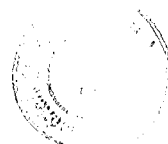
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Edited by
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Friedrich-Ebert-Stiftung
Office for Regional Cooperation
In Southeast Asia

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Preface

By Katja Runst (FES)

On December 11, 2001 China officially became a member of the World Trade Organization (WTO). There was no doubt that the full integration of the world's largest market, comprising more than 1.2 billion consumers and producers, into the multilateral trading system would significantly alter the global economic landscape. It would not only affect China itself. Many commentators and trade analysts have warned that China takes away or 'sucks-up' foreign direct investment (FDI) and thereby endangers its neighbouring economies. In the first month of 2003 foreign direct investment into China rose 48 per cent as overseas companies expanded their factories to take advantage of growing local demand for goods and services, of abundant labour supply and of low wages and social standards.

Most economies in the ASEAN region are based on labour intensive export industries that are faced with downsizing and relocation. China exerts a continuous pressure on ASEAN companies. It has triggered-off a social 'race-to-the-bottom' in ASEAN countries and ASEAN companies hope to be able to compete with China by lowering labour standards.

With regard to that development the Singapore Office for Regional Co-operation in Southeast Asia of Friedrich-Ebert-Stiftung (FES) organised a workshop on 'China's Membership in the WTO - Consequences for Labour Markets in ASEAN Economies' on September 09-10, 2002. The participants of that workshop dealt with the question of how to protect workers in industries undergoing structural adjustment and transformation and how to protect jobs in general. It was pointed out that only an enhanced regional economic co-operation could stop the "race-to-the-bottom" and that an extensive co-operation between governments, trade unions and enterprises is needed. During the deliberations the idea of a Social Charter for the ASEAN region was first raised and it was agreed upon to meet again in early 2003 to discuss this issue further.

In January 1992 the ASEAN Heads of State and Government had agreed to establish an ASEAN Free Trade Area (AFTA) under the objectives of (1) creating an integrated regional market in order to enhance the ASEAN region's competitiveness and (2) position ASEAN as a regional investment area in order to continuously attract foreign direct investment. Unfortunately, the AFTA process focuses explicitly on tariff deregulation and investment streamlining without any reference to human capital and social concerns. Low wages and unorganised labour are still seen as an attractive condition for foreign direct investment and therefore, have been retained as a long-term strategy.

Due to the SARS-crisis the proposed workshop entitled "Against a social 'race-to-the-bottom' - The demand for an AFTA-Social Charter" took place in Singapore on June 30 and July 1, 2003. Again the workshop brought together academics, government representatives and trade unionists from almost all ASEAN member countries.

In short statements the representatives of the ASEAN countries and the Global Union Federations expressed their support for the introduction of an 'AFTA-Social Charter' within the ASEAN process. It became clear that an 'AFTA-Social Charter' is essential to stop the 'race-to-the-bottom' by means of institutionalising basic workers' and human rights. A common social policy might help mitigate

potentially adverse effects of international market competition and support the development process in the region.

In a time where the liberalization of global economies is progressing rapidly it is feared that the market is finally turning against society. There is an on-going privatisation of essential social services, and a widening gap between poor and rich and social disparities are perceived. Taken the ASEAN Free Trade Area, whereas there is a free flow of capital there is no free flow of labour. The so-called human face is missing.

Unfortunately the impact of trade unions on the social environment in the region is rather limited. Several reasons for this fact have been identified: The trade union movement in the ASEAN region is weak. The number of organized workers is limited and thus, trade unions are hardly taken into account by governments. Despite the 'Business Council' in the ASEAN Secretariat there is no equivalent workers' representation. Regional trade union organizations like the ICFTU- APRO or ATUC have either a different regional constituency or a restricted membership and are therefore not representative enough.

The Core ILO Conventions 87 & 98 (Freedom of Association and Collective Bargaining), 29 & 105 (Abolition of Forced Labour), 111 & 110 (Elimination of Discrimination) and 138 & 182 (Abolition of Child Labour) have not been all ratified and implemented by ASEAN states, yet. Indonesia has been the only country so far which ratified all these ILO Conventions, but faces the problem of how to enforce them. It became obvious that an 'AFTA-Social Charter' has to go beyond the Core ILO Conventions.

A representative of the 'Trade Union Advisory Committee to the OECD' in Paris (TUAC) explained to the workshop participants the content and development of the 'European Social Charter', which might serve as far as its structure is concerned as a possible model for an 'AFTA-Social Charter'. The 'European Social Charter', a Council of Europe treaty, was first signed in 1961. It has been designed to protect and guarantee social and economic human rights like the right to housing, education, health, employment, social protection and non-discrimination.

The participants of the workshop discussed intensively the possible contents, ideas and notions of an 'AFTA-Social Charter'.

Among others the following principles, rights and monitoring instruments were listed to be included in an AFTA-Social Charter:

- | | |
|----------------|--|
| 1. Principles: | Social Dimension of AFTA
Democratisation of Economy
Social Accountability of Capital
Transparency of AFTA Institutions
Harmonization of Labour Laws
Consistency with Fundamental Rights,
e.g. ILO Declarations, UN Charter etc.
Economic Justice
Social Partnership
Sustainable Development |
| 2. Rights: | Installing ILO Core Labour Standards
Education and Training
Employment Stability
Health and Safety
Wages and Salaries for a Just Living |

Protection of Migrant Workers

3. Monitoring:
- Establishing an 'ASEAN Trade Union Advisory Committee' at the ASEAN Secretariat
 - Cooperating with ILO monitoring projects
 - Establishing ASEAN Work Councils

Finally, the participants agreed on working on a first draft of an 'AFTA-Social Charter'. A working group has been set up consisting of the following 7 persons:

Mr. George McLeod (FTUWKC),
Mr. Charles Santiago, (MNS Diversified)
Ms. Ching Chabo (ICFTU-APRO),
Mr. Christopher Ng (UNI-APRO)
Ms. Melissa Serrano (School of Labour and Industrial
Relations, University of the Philippines),
Mr. Tee Ling Zhi (SNTUC),
Mr. S. Venkateswaran (ATUC).

This very first draft is said to be ready by October 2003 and it was agreed on meeting again in November 2003 for another workshop, where the draft will be used as a basis for further discussion and elaboration.

Outline Of The Contribution By The VGCL Representative At The Workshop On "The Demand For An AFTA-Social Charter"

The VGCL welcomes all initiatives aimed at mobilizing trade union strength and resources in the region to prepare for and cope with impacts of the AFTA process to protect workers' interest. Therefore, it highly values the holding of this Seminar.

1. VGCL Points Of View

AFTA should be a process in which all ASEAN member countries can benefit from economic growth, especially social progress. It should not be a free competition among ASEAN nations or "a social race-to-the-bottom". On the contrary, AFTA should make ASEAN a stronger block in all fields, narrowing the gap between developed and least developed countries, the have and the have-not in the region, generating more job opportunities for workers.

2. Strategies To Be Implemented

In order to make sure that workers' rights are secured and social progress can be made in line with economic growth, following strategies should be implemented:

2.1 Regarding workers' rights, interests and trade unions

- **National and international labour legislations** should be respected and enforced;
- **Trade union participation** in the policy and decision-making process must be ensured at national, sub-regional and regional levels;
- **Job creation** should be at the center of any discussion about implementation of AFTA roadmap. Employment policy should be on agenda of ASEAN Governments.
- **Human resource development** in AFTA should mean more efforts from States and employers on training and retraining for workers, especially new skill such as IT and ICT.
- **Promotion and tripartism** at industrial, national regional levels is essential to ensure constructive, sound and harmonious industrial relations, fairness, mutual respect, especially during decision making;
- **Trade union cooperation** in ASEAN should be strengthened in areas such as experience exchange, sharing, support and consultation in order to successfully cope with challenges of globalization, liberation, structural adjustment;
- **Workers' education and trade union training** should be promoted to strengthen union capacity;

- **OHS** should be enhanced. This requires commitment and investments also from State and employers.

2.2 Social dimensions

To make sure that AFTA has a human face, effective measures should be taken in the following aspects:

- **Social safety nets** should be set up in ASEAN with commitments by national Government in the aspect of wages, social protection, health-care, unemployment benefits...
- **Environmentally sustainable development** should be a duty of all ASEAN member States to make sure that economic growth, employment creation are consistent with environment protection.
- **The struggle for poverty alleviation** should be part of any economic development program;
- **The control of MNCs, Corporate governance and responsibility, transparency** should be taken into serious consideration in AFTA processes.

3. Vietnamese Trade Union Facing AFTA Roadmap

Realizing advantages and challenges of AFTA process, the Vietnamese Trade Union movement has adopted action plans in the following areas:

- Participating in policy-making process at national level, particularly in employment creation and maintenance improvement of wages and living standards for workers;
- Intensifying organizing and membership recruitment in private and foreign invested sectors.
- Enforcing labour legislations, promoting the practice of collective bargaining and CBA at enterprise level. Taking part in revising Labour Code to gain more benefits for workers;
- Promoting control of MNCs through dialogues, pressure on media, society;
- Improving trade union training and workers' education using experiences from friendly organizations;
- Promoting international trade union cooperation (exchange of experience, sharing especially with national trade union centers in ASEAN and regional trade union bodies; NTUC, ATUC, ICTFU-APRO, UNI-APRO);

The IX National Congress of Vietnamese Trade Unions to be held in October 2003 with motto " For employment, living standards, democracy, social equality for a stronger trade union organization" will chalk out orientations for the Vietnamese Trade Union movement to strive for better life for workers into 21st century, steadily engage in AFTA process and international integration.



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FES Roundtable Workshop: Against a social "race-to-the-bottom" – The demand for an "AFTA – Social Charter" 30 June – 1 July 2003

Statement

The NTUC supports efforts to promote free trade agreements. Arising from such agreements, there will be an increase in trade and investments. Investors and companies will gain greater market access, leading to more business to be done. Consumers will benefit from a wider range of goods and services from the free trade partners. The agreements can also be building blocks for greater multilateral trade liberalisation. All these will mean more jobs, higher incomes, and better standard of living for workers.

AFTA should help ASEAN move towards its goal of developing even closer and more integrated economic ties within ASEAN and with other countries. To succeed, and to directly benefit the citizens and workers of ASEAN countries, the signatories of AFTA should pay particular attention to the following:

- **Job creation**
AFTA should lead to the creation of more and better paying jobs, and raise the standard of living for workers from increased trade and investments.
- **Fundamental workers rights and welfare**
It is important to safeguard the welfare and rights of our workers. But provisions to ensure worker's rights must not be used as a means of protectionism, as protectionism ultimately hurts workers and consumers.
- **Tripartite commitment**
There should be tripartite commitment to share information and address issues concerning labour standards and possible violation of union/workers' rights. To ensure mutual benefit, continued commitment is needed to address the challenges facing our government, employers and workers.

The NTUC believes that free trade should work in the fundamental interest of workers by creating more and better paying jobs, and equitable, democratic and sustainable development.

Towards an AFTA Social Charter - An Outline of Issues, Concerns and Proposals

Melisa R. Serrano*

The past decades saw the rapid expansion of international trade and the liberalization of financial markets. A recent World Bank publication pointed out that as globalization proceeds, differences in labor standards between countries and regions become more important than they used to be (Aidt and Tzannatos, 2002). This is so because of the growing "concern that these differences could produce unfair advantages in internationally traded goods for countries that adopt lower standards, and also because new technology now allows jobs to be directly subcontracted to workers in low-standard countries." In short, globalization has renewed the interest in labor standards in the entire international community.

In the light of the above, there is now a compelling need for international engagement around labor standards. The recent research undertaking of the World Bank, for example, on unions and collective bargaining is part of its work to support the promotion of core labor standards (Aidt and Tzannatos, 2002).

The World Bank Group, in coordination with the IMF, has recently established a process for regular dialogue with the international trade union movement. The dialogue includes biannual high level meetings with trade union leaders from around the world. The leadership meetings are complemented by a series of technical meetings on policy issues of interest to both parties, such as pension reform, privatization, and labor market regulation. The Bank is also working to improve consultation with trade unions within client countries.

Amidst the debate and controversy over the relationship between trade liberalization and labor standards, an international consensus has emerged on the importance of core labor standards in a globalizing world in the Copenhagen Social Summit in 1995. This Summit defined a set of standards that would provide a social floor to the global economy. The four principles – freedom of association and the elimination of child labor, forced labor and discrimination – formed the basis for the adoption of the ILO Declaration on Fundamental Principles and Rights at Work. In the WTO Singapore Ministerial Declaration of 1996, members renewed their commitment to core labor standards and that these standards should not be used for protectionist purposes. In February 2002, the ILO established the World Commission on the Social Dimension of Globalization. As an independent body, the Commission looks at the various facets of globalization, the diversity of public perceptions of the process, and its implications for economic and social progress. It searches for innovative ways of combining economic, social and environmental objectives, based on worldwide expertise. It will make its recommendations seeking to build upon a broad consensus among all key actors (World Commission on the Social Dimension of Globalization, 2003). Since early 2002, the Commission has been conducting series of consultations and dialogues with important actors in the globalization process, i.e. governments, business, workers, civil society, international and regional organizations, at the regional or national level.

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In the *Dialogue with the International Trade Union Movement* convened by the Commission on November 26, 2002 in Brussels which involved the ICFTU, the World Confederation of Labor and leaders of the Global Union Federations, the recommendations focused on steps to be taken to help strengthen existing national systems of labor relations and establish a global labor relations system. The participants urged the Commission to adopt recommendations calling on the ILO to:

1. intensify activities conducive to the organization of workers and undertake activities designed to explain the benefits of an organized workforce to employers;
2. promote the establishment of global works councils;
3. use its programme of Sectoral Meetings and related activities to accelerate the expansion of Framework Agreements between multinational companies and the Global Union Federations;
4. undertake social audits of companies;
5. use its technical cooperation activities to strengthen labor ministries and systems of labor inspection and labor courts;
6. promote the removal of all legal and non-legal barriers to cross-border industrial action by workers; and
7. develop mechanisms to monitor and verify the implementation of framework agreements and codes of conduct adopted by multinational companies.

A call was also made in said Dialogue for the establishment of a social fund to address poverty based on contributions from multinational enterprises.

All the foregoing initiatives at the international level addressing the social dimensions of globalization and renewing interest in labor standards should also be tackled at the regional level – in the ASEAN Free Trade Area (AFTA).

The market defense of workers' rights

This section will no longer dwell on discussions on the need for an AFTA Social Charter. Many studies have already indicated that increased liberalization has resulted to increasing social inequalities and a massive expansion of the informal sector. The defense of workers' rights is thus a growing concern. Even within the neoclassical paradigm, the justification of core workers' rights rests on the assumption that these are responses to specific market failures (Scherrer and Greven, 2001). For example, freedom of association is a means to counterbalance the market power of employers; prohibition of forced labor and child labor belongs to the core principles of the neoclassical market order (the market being defined as an exchange of goods among free persons); and collective bargaining institutions allow efficiency gains by encouraging workers to share their views with management about running the enterprise (Scherrer and Greven, 2001).

The neo-institutional paradigm argues that workers' rights contribute to long-term sustainable development. Scherrer and Greven (2001) provided the following reasons:

- Highly unequal income distribution is an obstacle to development because it impedes the emergence of a mass market in durable consumer goods; and

- Minimum social standards and resulting higher wages have positive effect on a country's economic development prospects because:
 - higher wages promote the development of "human capital" without which no economic development is possible, and
 - social standards are necessary for making the transition from an extensive to an intensive use of labor.

The recent WB (Aidt and Tzannatos, 2002) publication entitled *Unions and Collective Bargaining: Economic Effects in a Global Environment* cited an OECD study that attempted to analyze the effects of labor standards in 17 select countries that have undertaken major labor market reforms over the past 20 years in the areas of freedom of association and the right to collective bargaining, and compare the performance of the economy before and after the reform. On average, gross domestic product (GDP) grew at 3.8 percent per year before the improvement in labor standards and at 4.3 percent afterwards.

Torres (2001) proposed that in order to make the process of globalization successful and socially sustainable, adequate action should be made on the four 'social pillars' of globalization, namely:

1. education and training for the development of human capital
 - need for transferable, general skills
 - access to high quality education, i.e. access to higher education, dual training system, vocational training
2. social safety nets that address two complementary purposes:
 - ensure fair distribution of the gains and costs associated with globalization and economic restructuring
 - strengthen workers' support for the reform process, i.e. unemployment benefits, training programs for displaced workers, public assistance schemes
3. labor law and industrial relations that enhance employment stability as a result of a greater commitment of workers to the firm
4. core labor standards
 - elimination of child labor
 - abolition of forced labor
 - non-discrimination in employment
 - freedom of association and collective bargaining

These four pillars should be considered in drawing up the framework for an AFTA Social Charter.

The demand for an AFTA Social Charter A Proposed Configuration

The AFTA Social Charter in essence should embody workers' rights clauses not only to promote but, more importantly, enforce international labor rights. Scherrer and Greven (2001) emphasized that in order to improve enforcement, privileges granted in international agreements should be made conditional on the respect for labor rights. These standards and rights should be those that already enjoy a high

level of acceptance within the region. Moreover, the Social Charter should be negotiated multilaterally to address the fear of protectionism. To render the Charter effective, meaning a high compliance rate, the following measures may be adopted:

1. Accessibility of the Charter to all stakeholders, particularly the workers;
2. Applicability throughout the whole supply chain;
3. Well-defined coverage and specific references to core ILO conventions, especially the rights of freedom of association and collective bargaining;
4. High level of commitment of all stakeholders;
5. Well-defined, independent, transparent and participative monitoring schemes and relevant sanctions for violations; and
6. Clear rules for complaints procedure (accessible to employees).

Towards a standard AFTA Social Charter

Following Sajhau (1997), the main components of a standard Social Charter for AFTA may include the following:

1. The ***general ethical approach***, the preamble to the body of the Charter, which includes statements of general principles such as:
 - commitment to promote “socially responsible” or “civic” enterprises;
 - desire to participate in the promotion of human rights at work and to guarantee decent working conditions of workers;
 - commitment to serve the surrounding community of enterprises and participate in its well-being;
 - protect the environment, including the working environment;
 - satisfy legitimate aspirations of workers, in particular as regards career development within enterprises, by eliminating discrimination;
 - choice of “keywords” defining human relations within enterprises such as loyalty, solidarity, mutual respect; and
 - intention to promote the same principles throughout the supply chain.
2. ***Respect of human rights at work***. This part could be based on fundamental ILO Conventions
3. ***Other elements concerning working conditions and remuneration***. This part is intended to guarantee that all trading partners respect national labor legislation as well as regulations and practices in force. References could be made to the following:
 - to guarantee a safe and health working environment by appropriate and voluntary measures respecting occupational safety and health;
 - to practice a wage policy which is in accordance with legal requirements and respects local enterprise practice in the sector;
 - to fix maximum levels of overtime work; and
 - to practice a policy of transparency concerning recruitment and work contracts.

4. **Application of the code.** This should cover the individual enterprises and their suppliers and subcontractors and all trade partners. Independent, participatory (multi-stakeholder approach) and regular monitoring complemented with enterprise-level complaints procedure could undoubtedly guarantee higher rate of enforcement.

As regards application of the Charter to trade partners in the region, the following strategies proposed by Sajhau (1997) may be considered:

- a. Enterprises could initially make a selection of its suppliers/partners after visiting the latter. The enterprises could also consult trade unions and local NGOs.
- b. The selected suppliers/partners could then be invited to sign a document or protocol agreement containing the constituent elements of the code of conduct, adapted to local conditions.
- c. The methods for monitoring the application of the code by the trade partners could be stipulated in the protocol agreement:
 - presentation of relevant documents;
 - periodical (announced and unannounced) inspections of the enterprises concerned;
 - persons responsible for the monitoring (properly trained auditors, role of workers' representatives)
 - measures enabling employees to be informed of the nature of the code of conduct;
 - provision for independent monitoring;
 - provisions concerning the practical methods of publication and dissemination of the results of the inspections carried out.
- d. Trade sanctions in the event of non-respect of the Charter. Sanctions should be proportionate to the nature of infringement. Sanctions could range from a simple warning to the cancellation of an order and the termination of all trade relations.

Conclusion

The impact of massive liberalization has indeed spurred interest in labor standards around the world. As economies open up, differences in labor standards become more and more apparent and appalling.

Drawing up an AFTA Social Charter will require a multi-stakeholder approach. Substantial consideration should be given to the following elements: accessibility of the Charter to all stakeholder, applicability, coverage, level of commitment, and monitoring and sanctions. The very essence of the Charter, however, should provide measures to uphold and protect workers' rights. The initiatives of the World Commission on the Social Dimension of Globalization established by the ILO are noteworthy. The AFTA may also convene a similar undertaking. A region-wide engagement in drawing up the Social Charter is imperative because member-countries have very different views on what constitute proper standards and the concomitant consequences of adopting them. As the Aidt and Tzannatos (2002) succinctly put it, estimating the benefits and costs of labor standards depends on a given country's competitiveness of product markets, political climate, the quality of its public institutions and the state of its workplace relations.

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Introduction

If one looks around the world today there are 160 million people officially recognized as unemployed¹ This number is growing. In just four years it has increased by 20 million people. The Asian financial crisis alone added 10 million people to the total number of unemployed globally. And by 2015 another 1.2 billion people will join the world's labour force (World Bank 1995: 9). The rapidly widening gap between the rich and the poor people is captured by the reality of almost 1.5 billion people around the globe living on less than one dollar a day, while the top 3 richest persons control about 25% of total resources of the world. As Robert Wade wrote in the *Economist* (2001):

Global inequality is worsening rapidly, technological change and financial liberalization result in disproportionately fast increase in the number of house hold at the extreme rich end. From 1988 to 1993, the share of the world income going to the poorest 10 percent of the world's population fell by over a quarter, whereas as the share of the richest 10 percent rose by 8%.

This situation was aggravated by the free market policies of liberalization, deregulation and privatization that are cornerstones of the economic programs of almost all states in the world. These images of globalization and can be found almost everywhere, in almost all spheres of our lives.

While the internationalisation of global economy, continuing dominance of neo-liberal restructuring and the resulting transformation and consolidation of corporate and state governance have had an impact on the labor movement both on national and regional level.

Regional consolidation is indeed important on this kind of "constitutional zing of neo-liberalizing" (Gill 2001:34). The strengthening and expanding of regional formation is the current tract in order to compete in the world trade order.

Like for instance the emergence of NAFTA (North America Free Trade Agreement) is practically designed to promote free trade in the context of regional level. US and Canada have both an upper hand to address their needs on labor by importing, "cheap labor with less union rights" (Klein 2002:14) from Mexico and other NAFTA member states. These agreements also "lock-in" the member states in the paradigm of neo-liberal framework.

While in ASEAN region, the introduction of AFTA is very much the same on the concept of NAFTA. AFTA is perceived as an instrument in ASEAN region to fully implement the policies of neo-liberalism through its main program of "free-trade" in

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¹ Gerard Greenfield "Globalization and Unemployment" (2001)

the region. For many governments believed, that free trade was seen as a panacea, a cure for poverty, inequality, and almost everything else.

The Washington Consensus that formed the intellectual pillars of free trade and structural adjustment seemed to carry all before it. Today, the situation is radically different. To quote Walden Bello, "The alleged benefits of free trade and markets are challenged everywhere. For instance, an authoritative UNCTAD study covering 124 countries showed that during a period of greater global trade liberalization from 1965-1990, the income share of the richest 20% of the world's population rose from 69 to 83% of total global regime. As for the so-called positive relationship between free trade and growth, the merging consensus is laid out by Harvard Professor Dani Rodrick: Do lower trade barriers spur greater economic progress? The available studies reveal no systematic relationship between country's average level of tariff and non-tariff barriers and its subsequent economic growth. If anything, the evidence for the 1990's indicates positive relationship between import tariffs and economic growth. The only clear pattern is that countries dismantle their trade restrictions as they grow richer. This finding explains why today's rich countries, with few exceptions, embarked on modern economic growth behind protective barriers but now display low trade barriers. C. Fred Bergsten the head of Washington's Institute of International Economics (IIE) a noted partisan of free trade, AFTA and WTO added that "has to be an honest recognition an admission that there (free market globalization) has costs and losers," (that) "globalization does income and social disparities within countries" and does leave some countries and groups behind."²

AFTA Social Charter: A Critical Reflection

The new world order of neo-liberal capitalist governance remains powerful. This is despite capitalism's own vulnerabilities and the challenges that have been mounted to it. The idea of putting social mechanism to protect and advance the workers rights in light of the on-going liberalization of global economy is indeed laudable. Any attempt similar on this proposal should be highly examined in order "to unpack" the strength and weakness and its possible consequences (either negative or positive) to the working people.

The initiative of putting a Social Charter by all means should be part and located of the strategic discussions of different interest groups (particularly the trade union groups).

An example of "bringing in" on the regional level the scheme of Social Charter is the European Social Charter as pursued by the Council of Europe. The European Social Charter is a treaty signed in 1961 that protects human rights. Human rights are imprescriptibly rights which guarantee the respect of the fundamental dignity of the individual. The European Convention of Human Rights guarantees civil and political human rights. The European Social Charter, which guarantees social and economic human rights, is the natural counterpart of the convention. Three protocols were added to the charter in 1988, 1991 and 1995. Finally, the revised Social Charter was opened for signature in 1996 and entered into force in 1999³.

² "Walden Bello" Why Reforming WTO and Regional Trading Blocs is Necessary Evil, Kasarilan, June 2000

³ The European Social Charter Brochure published by Council of Europe, December 2000

European Social Charter is even regarded by former British Prime Minister Margaret Thatcher as "undisclosed socialist charter" (Pollack 2001:25) since it provides a blanket human rights protection to its constituencies which is basically an important component of socialism.

The proposed AFTA Social Charter "might be the same"⁴ with the European Social Charter. But both have different underpinning; since the European Social Charter was developed with different political context.

While, the AFTA Social Charter is developed on the period of rapid liberalization of global economy. As such it is anchored on the idea of "Free Trade"⁵ (ASEAN Free Trade Agreement). This is a very important point to emphasize, because any proposals focusing to ameliorate the lives of the working people but anchored in the concept of free trade does not empower the working people after all. *Unless we neither challenge the logic of free trade and the neo-liberal globalization of every aspect of local and national economies nor does it stop the processes that cause Third World Poverty.*

Conclusion

The viability of "against race to bottom wages" within ASEAN region is by no means clear. Strategic discussions among civil society actors and the government are likely to be an important attempt to address the contemporary realities in post-crisis in Asia. The entry of China in WTO will somehow aggravate the situation and will paved way for legitimising the race to bottom wages of the working people in the region.

There will disputes between those calling for pragmatic incremental reform through liberal version of social rights within the region and that group will first and foremost always question the "hegemony of free trade" in the economic spheres.

We at the National Union of Workers on Hotel Restaurant and Allied Industries – Alliance of Progressive Labor – Philippines will collectively bring up our voices on highlighting the immense role of "free trade" in ruining our globalizing economy, for free trade only created havoc on the lives and economy of developing states. Therefore any attempt to draw social mechanism (i.e. social charter) to protect somehow the lives of the working people within the boundary of free trade will be futile, useful and ineffective.

Thus, we are calling both the government of ASEAN region as well as its civil society to first and foremost review its policies and laws with regard to the implementation of its trade liberalization program since its harmful effects is very much prevalent in the region, second we encourage the government as well as civil society to come up with an alternative proposal on how trade with its neighbouring countries on the principal of fair, honest and sustainable trading system without putting to the altar or sacrificing trade union rights, third we are calling for the enactment of laws that will strengthen trade union rights for a strong trade unions contribute to the long-term dynamism of industrial capital; by blocking "sweat shop" routes to competitiveness (Coates 2001:80) and fourth to really avoid "the race to bottom of wages" not only on the regional level as well as in a global level, is to come up an alternative trading system with the following principles, it should be democratic, that is, economic policy should not be determined by technocratic elites but instead by mass of the population, this alternative system should promote

⁴ I used the word might be the same since I haven't read the proposed Social Charter of Charles Santiago as of this writing

⁵ I assumed this position since the proposed charter by as its name suggested still cling on AFTA

gender – equality against capitalism's systematic production of gender inequality, the new system must promote environmental sustainability the regional economic production should be for equity rather than the corporations' narrow view of efficiency which simply focused on reducing unit cost.

AGAINST A SOCIAL "RACE TO THE BOTTOM"

The demand for an "AFTA – Social Charter"

***Statement on behalf of MTUC
By G. Rajasekaran***

For over two decades trade unions all over the world have stressed that workers' rights are an inseparable part of human rights to ensure sustainable development. MTUC remains in the forefront supporting international trade unions' campaign and directly promoting national initiatives on this very essential issue.

Last September we listed a series of possibilities and expected impact on Malaysian industries and workers and the rest of ASEAN. Events since then has confirmed our fear.

Though US invasion of Iraq and the sudden spread of a strange illness – SARS could be blamed for worsening our economy, relocation and flight of industries was already taking place in search of cheap labour. Understandably this has strengthened and increased the influence of corporations, especially MNEs.

In Malaysia employers are using the current economic downtrend to carry out a concerted campaign to deny freedom of association and collective bargaining. Even most basic and fundamental issues like recognition of trade unions have become matter of serious concern. An unprecedented number of challenges against Ministers directive to accord union recognition is pending at the High Court : The number has increased to more than ten cases, some pending for more than three years.

Large corporations are also exerting behind the scene pressure on the Government to allow recruitment of tens of thousands of foreign workers on contract and casual basis. Corporations are retrenching permanent workers and subsequently engage contract workers. These steps, employers claim, is essential to reduce cost of doing business in Malaysia and is necessary to attract Foreign Direct Investment (FDI)

Last December MTUC held a one day Round Table On AFTA and Its Impact On Malaysian Industries and Workers. Speakers from Ministry of International Trade and Industry, Malaysian Industrial Development authority, automobile, electrical and metal industries and academics actively participated in the meeting.

The Secretary General of Human Resources Ministry, in his opening address said, more intergrated labour market also leads to high degree of vulnerability that creates new sources of instability. Due to the threat of global competition, many businesses are increasingly unable to keep the promises of providing job security.

Dr Rashila Ramli of National University of Malaysia said AFTA may impact men and women differently. In the recent economic crisis experienced by Malaysia, out of 83,870 workers who were retrenched, 43% were women from the manufacturing, construction and service sectors. The government has taken steps to train and assist many of these women to venture in small enterprises. The liberalization of trade, especially in the electronics, and textile industries where there are more women workers compared to men, may see the relocation of foreign companies to other member countries. This possible move could see negative consequences especially on Malaysian women workers.

Regional Seminar on Industrial Relations in ASEAN February 2003

Summary of issues and background included in the paper prepared presented at the above seminar by ASEAN Secretariat:

Industrial relations concern the work processes, rules and outcomes, which extend from the workplace, at the firm or organizational level, to the level of industry and national society. Globalization has extended, and punctured the national boundaries of industrial relations. Employers, workers, and government leaders in various countries attempt to provide a better quality of life to the people, and stable, productive jobs to the workforce in the face of new demands and pressures arising from changes in technology and the flow of capital resources, through trade and investment.

While providing the venues for increasing economic integration, the ASEAN is exerting continuous efforts, through negotiations and dialogues, in addressing social development, common issues of mutual benefit. These include efforts to develop a region-wide response among various stakeholders including governments and other social partners, in the area of industrial relations. In this regard, the ASEAN Labour Ministers' vision and mission statement, declared in Manila (ASEAN Secretariat, 2000) as follows:

We believe that people are at the heart of this development process in the ASEAN region, and that our peoples continue to be Southeast Asia's most vital resource.

We aspire to bring about a better quality of life and productive employment for all of them through sustainable economic growth and social progress".

We, therefore, commit to strengthen the social pillars of ASEAN by promoting the full potential and dignity of workers. We shall achieve this by striving to ensure that people in Southeast Asia enjoy sustainable livelihood in a climate of freedom, equity, and stability, and are capable of harnessing technological innovations and opportunities presented by regionalisation and globalization."

We shall work closely with workers, employers, civil society, and other organizations to provide a favourable environment for economic growth and employment creation, as a key strategy to accelerate economic recovery and growth "(underscoring for emphasis supplied

The ASEAN recognises the need to join forces in order to prepare the region's workforce for regional integration and more intensified trade liberalization, which are manifestations of globalization. One logical outcome of this recognition is a regional approach to industrial relations. The ASEAN Labour Ministers' Vision and Mission statements, and subsequent annual meetings in both Kuala Lumpur (2001) and Vientiane (2002) underscored the common theme of appropriate labour and employment policies that would support both growth with employment, and with social equity. In dealing with globalization, the most common element in all eloquent speeches in the annual meetings is the consistent call to build the capacity of the ASEAN countries to develop a productive, competent workforce who could take advantage of the knowledge based, network economy.

Recommendations of ADB – ILO Regional Meeting 17 – 18 September 2002 on Labour Standards

The Social Protection Strategy (SPS) adopted by the Asian Development Bank (ADB) in 2001 requires that all ADB interventions must be designed and formulated in accordance with the core labour standards. In addition, under the SPS, the ADB should take all the necessary and appropriate steps to ensure that **ADB – financed procurement of goods and services, contractors, subcontractors and consultants comply with the country's labour legislation** (e.g. minimum wages, safe working conditions, social security contributions, etc.) as well as with international core labour standards.

The ADB should therefore take into account labour standards in providing assistance to member states. This has to be done at five levels:

1. Strengthening inclusion of labour standards consideration in country programming, to improve poverty and social analysis and to highlight problems that need to be addressed. This is a conclusion the ADB has already reached.
2. Addressing respect for labour standards as an issue in itself, and as a matter of corporate social responsibility and good governance.
3. Proactive measures to promote the implementation of specific labour standards and the values contained in them, such as the elimination of child labour and discrimination, abolition of forced labour, and promotion of freedom of association and collective bargaining.
4. Strengthening inclusion of labour standards, consideration in the planning, design and implementation of all ADB activities, as approved by the ADB in its Social Protection Strategy (2001).
5. Mitigation measures to compensate for negative effects on labour standards of ADB activities, or for failure by contractors and others to observe the standards they are required to implement in ADB-funded activities.

Source: ILO <http://www.ilo.org> (Accessed February 15, 2003)

Excerpts Section 4. Wages, Productivity And Competitiveness

Laws and regulations on industrial relations provide for wage determination. Commonly, minimum wages are provided for by area, by industry, or by sector and their adjustments based on prices and the cost of living. There are also laws which affect the total pay of persons in terms of premium pay for overtime work, and work during holidays, paid leaves (sick leave, medical leave, maternity leaves being most common), allowances, bonuses, premium payments, social security, medical insurance and other deductions.

Labour laws on wages and pay altogether affect the "labour cost" component of business operations, and their compliance or non-compliance is a common source of labour disputes. Labour cost at the same time affects the ability of firms or businesses to price their products and services, and compete in the market. The links between productivity and profitability of firms, and competitive business performance in general is a neglected theme in industrial relations in ASEAN. There are very few sources of detailed information on wages and productivity in the ASEAN region. Only

the Philippine government website has information in the English language on the latest changes on minimum wage pay, and the relevant regulations governing wage determination which affect business operations.

Along with trade flows, it is increasingly important to monitor and compare wages, and labour productivity in the ASEAN ideally at the sectoral or industry level. An optimal relationship between the level of skills and competencies, wage rates and productivity of the country's workforce are important decision points for firms to invest and expand the demand for labour, thereby creating jobs.

Excerpts Conclusions : Guide To A Regional Framework

The conclusions provide a preliminary integration of the issues with a tentative set of guide questions to start discussions of a regional framework of industrial relations in ASEAN.

Given the diversity which characterizes ASEAN countries, industrial relations would assume various shapes and forms which require different approaches to derive useful results. Respect for such diversity is a crucial element in any regional approach, based on a *desirable model* of industrial relations which ASEAN stakeholders themselves will design and fit to their own needs and temperament. Continuous dialogue and learning sessions would however lead to cornerstones of a regional framework, and a unified approach to common concerns. Driven by the force of economic integration, it is desirable that industrial relations in ASEAN will have a common framework.

ASEAN industrial relations should move forward along with economic integration the costs of not doing so would be heavy, and inaction would contribute to social, political and economic instability, and undermine, if not defeat the very purpose of ASEAN integration. A regional approach is necessary, to maximize the benefits of learning from both positive and negative experience in ASEAN. The scope of social dialogue would not simply involve labour disputes, but the whole range of economic and social policy. To this end, capacity of the social partners to undertake and use the mechanisms and tools of social dialogue must be improved.

Excerpt

Weaknesses in ASEAN industrial relations which serve as constraints to a regional frame work include:

- Gaps in labour laws and regulations, which give rise to different interpretations and disputes. Gaps however provide flexibility, which could be advantageous. These gaps are most apparent in addressing issues concerning labour circulation and mobility, manifested in the presence of "guest workers" and expatriate labour and professionals. Gaps also exist with respect to vulnerable sectors (youth workers, contractual or fixed term workers, elderly, women, physically challenged workers, and the like.
- Limited skills and competencies of government officials, trade union leaders and employers to jointly enforce labour laws, in specific areas in industrial relations, i.e disputes settlement, including conciliation and arbitration.
- Lack of adequate resources, with limited budgets from the government, and lack of support from the private sector.
- Lack of a coordinating center or office to share expertise and utilize cost effective means to pursue joint programs in industrial relations.

- Lack of a research agenda on ASEAN industrial relations to provide timely, up to date information and analysis for decision makers.

Excerpts Fundamental Framework Of Industrial Relations

A key element in the protection of workers is their ability to exercise them, especially in collectively withdrawing their labour without penalty. It is through the existence and exercise of this action that workers possess a method of forcing key issues or problems into recognition, discussion and resolution. Trade unions exist to enable collective representation of labour issues. Procedures for the recognition of trade unions consolidate the legitimacy of these organizations, and hence their potential for the expression of these rights in the workplace. Without procedures for recognition, workers find it difficult to exercise their rights. The existence of these procedures alone does not imply that workers and employers are able to exercise their rights, and resolve disputes effectively. Much depends on the knowledge and skills of trade union leaders, employers and government officials in resolving issues in industrial relations.

On the other hand, there must be a balance between the needs of enterprises for stable labour relations, and the exercise of workers rights, particularly the rights to strike. Collective bargaining prescribes limitations such as management prerogatives in determining personnel and pay policies at the enterprise level. To what extent should national policy accommodate management prerogative as part of the freedom to do business?

Trade Union Response

- Trade unions in the region need to unite in their effort to pressure ASEAN member countries to fulfill their commitment to strengthen the social pillars of ASEAN not only at country level but also at ASEAN level.
- ICFTU-APRO need to play a more central role to coordinate, promote and pressure ASEAN Secretariat on this important issue. ICFTU-APRO has better resources and is well equipped to carry out country level studies and survey on ASEAN members failure to ratify core conventions and make genuine effort to meaningfully implement the standards.
- ICFTU at the global level has done extensive work at WTO, APEC, ASEM, IMF, World Bank and others to ensure sustainable social development. APRO's direct and more active role in ASEAN will strengthen the organizations global campaign.

PREVENTING ASEAN COUNTRIES FROM THE "RACE-TO-THE BOTTOM"

By

Prof. Dr. Payaman J. Simanjuntak

Introduction

China's participation at the WTO will significantly affect economic and social conditions of ASEAN member countries. ASEAN and China have similar export industries. They have been focusing on the labour-intensive export industries with limited intensity of capital and advanced technology. There will be a high competition between ASEAN and China.

In this competition, China tends to be the winner. **First**, due to an abundant supply of cheap labour, China can cut the cost of production dramatically and reduce the world prices of particular goods significantly. **Second**, multinational companies tend to relocate their manufacturers from ASEAN and place their foreign direct investment to China to gain both an endless supply of cheap labour and better access to Chinese markets.

On the other hand, domestic businesses of ASEAN member countries will hardly compete with cheap imports from China. Foreign Direct Investment (FDI) in ASEAN will also decline. Therefore, ASEAN member countries will face the problems of lack of FDI, slow down of domestic businesses, lack of employment opportunities, and high unemployment rates. In facing those pressures, the four main actors, namely Government, employers, trade unions and international institutions should play their important roles to prevent a "race-to-the bottom" which creates spiral effects by allowing, tolerating or accepting low standards of working conditions.

1. The Threat from China

During the last several years China has been continuously experiencing high growth rates which affect neighboring countries, particularly the ASEAN. Recent social and economical indicators show that ASEAN member countries have suffered from China's competition in terms of reduced FDI and exports, as well as increased imports from China and high unemployment rates.

It is noted that 10 years ago, FDI to China and to ASEAN was about equal. Today, only one quarter of FDI goes to the ASEAN region. Prior to the monetary crisis in Indonesia, approved FDI reached a level of around \$20 billion. In year 2001 it dropped to \$1.2 billion and in year 2002 to less than \$1.0 billion. Since 2001, more and more foreign companies in Indonesia declared their intentions to move to China, particularly companies in the foot-loose industries such as textile, garment, footwear, apparel, and other low-tech industries.

On the other hand, Chinese goods start to dominate Indonesian domestic markets because they can be sold about 10% to 25% lower than the price of similar goods produced in Indonesia. Several manufacturers have gone bankrupt and some may follow in the near future. The continuous decline of FDI and the flood of imported Chinese products will lead not only to declining domestic businesses,

Indonesian exports and balance of payment, but also to declining employment opportunities and hence to increasing number and rates of unemployment.

Similar problems are likely to be faced by the other members of ASEAN and, therefore, the above mentioned challenges and potential threats should be taken into consideration for the AFTA framework cooperation and for domestic policies of individual member country.

2. The Role of the Government

AFTA is designed to promote competitiveness and growth of the region through greater cooperation among the ASEAN member countries. Intensification and optimization of cooperation through AFTA, is one alternative to protect ASEAN countries from the global and Chinese economy. Therefore the Government of the ASEAN member countries needs to commit the following:

- a. ASEAN should be developed as an integrated market area (AFTA) with better balanced distribution of industries and benefits gained from AFTA.
- b. To attract foreign and domestic investment, each ASEAN member country should commit to provide security, clean governance, transparency, and legal predictability.
- c. Each country should set up and maintain labour standards and decent working conditions along with the 8 ILO Core Conventions and other international standards.

3. The Challenge for Employers

In facing a high competition from cheap Chinese products, employers in ASEAN should not be tempted to choose an "easy road of a race-to-the bottom" but rather increase high productivity among others by:

- a. implementing a high quality management system;
- b. enhancing the skills of workers through education and training;
- c. developing and implementing a sound and harmonious industrial relation system.

4. The Roles of Trade Unions

National development needs strong unions. Every company needs a strong union. However, mobilizing united efforts and a strong voice of trade unions to urge Government to maintain labour standards is not enough. Employers can be easily encouraged to confine with labour standards as long as their competitiveness is secured. Therefore, the most important issue is that every trade union in a company should support its respective employer to increase company competitiveness. In this regard, trade unions can play important roles.

First, the trade union should mobilize its members to enhance their productivity by increasing both their skills and work discipline.

Second, the trade union should support its respective management to develop a sound and harmonious industrial relation. The trade union and management should settle all workers' grievances and demands by intensifying bipartite forum, dialogue, consultation and negotiation. Any demonstration, strikes,

slow downs and other types of production disruptions will reduce company's competitiveness, and therefore should be avoided. The trade union should rely more on their professionalism in negotiation rather than worrying about the threat of strikes. In 1981, I stated that a strike is too luxurious for a country such as Indonesia. This statement is even prevalent today for ASEAN member countries.

Recent development of trade unions in Indonesia indicates lack of leadership and weaknesses of trade union movement. Seventy trade union federations and more than 100 non-affiliated trade union have been registered. This implies that the trade unionism in Indonesia bears a high over-head-cost of the organizations. Each trade union has only a small number of registered members. Many of them do not pay membership fee. Members' contribution is too small to run an effective worker organization, and to prepare and support professional leaders. The main challenge for Indonesia at present is to empower trade unions to be able to play their important roles in developing a sound and harmonious industrial relation.

5. The Roles of International Institutions

In maintaining and even in improving the working conditions in ASEAN region, the international institutions such as the ILO, FES, and the International Organization of Employers, should play their important roles:

1. to ensure that all ILO member countries, including China, should respect and implement the international labour standards;
2. to empower both the trade unions and employers' association.

In 2001, I have accompanied two tripartite study visit groups from Indonesia to Japan, and a small group of Indonesian trade union leaders to Germany. The purpose of this study visit is to familiarize the industrial relations system and practices in those two countries.

I believe that until now particularly for Indonesia, this model is still the best way to empower trade unions and employers' association. Therefore, international institutions such as FES, ILO, IOE, and the Japan Institute of Labour, should be encouraged to facilitate tripartite study groups from ASEAN to other countries where a sound industrial relations system is being practiced.

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Against the social "race to the bottom" –
The demand for an 'AFTA Social Contract'
FES Conference, Singapore
April 7-8 2003

China is a market of more than a billion consumers and producers. It is strategically located, has plenty of natural resources and exercises a formidable international clout. It has a stable government promoting trade and business. To add it has unlimited supply of cheap labour and no real trade union organization or any formidable civil societies to raise exploitation concerns. China is sucking up most of the FDIs. It threatens to ignite the social "race to the bottom" in the ASEAN nations. It has advantages over the ASEAN region.

The ASEAN nations taken together have enormous natural and human resources. Their economies are tested and competitive. Industries are diverse and most of the basic infrastructure is in place. ASEAN is a big market of more than 500 million workers and consumers. Creating a level playing field with China is not possible but there are some areas, which if focused may help avoid the "race to the bottom" in the ASEAN.

Successful Economic Integration:

The ASEAN countries must find ways to introduce successful economic integration plans and start regional agreements with the US, European countries instead of bilateral agreements. Better integration of the markets, lowering of trade barriers and upgrading the domestic capital market would enhance economic competitiveness. Cleaner governance, increased transparency and realization of the fully functional AFTA would attract FDIs.

Joint Social and Labour Concerns:

A joint ASEAN advisory forum for social and labour relations if established would ensure respect to the internationally accepted labour standards in the trade agreements. It would also place ASEAN in a better position to address social, environmental, health, education and labour issues which if left unattended would have long-term re-percussions.

A trade union committee for the ASEAN represented by trade union organizations in the region would help to ensure prioritising labour issues and facilitating trade union unity in the region. ASEAN in the past has shown doubts on including social clauses in its trade agreements. Now it should not shy away, it should take steps to include the clauses.

Increased Inter-ASEAN development cooperation:

The increase in the ASEAN cooperation in development activities addressing issues of national priority would act as confidence building measures for the ASEAN countries facilitating their development to an entity. The programs may include cooperation on poverty reduction, developing infrastructure, establishing regional debt funds, providing job security and ensuring fairer distribution of wealth etc.

Concerns of the Chinese Workers:

There have been numerous reports on the exploitation of Chinese workers despite government refutes. In the absence of formidable civil societies and pro-worker trade unions, social and welfare issues have been neglected in China, particularly in agriculture, mining, banking, and energy sectors.

Welfare of Chinese workers and better working conditions for them should not only be the priority for the global trade union movements. It must be recognized that the Chinese trade union organizations are not truly representative organizations. ASEAN must take measures in influencing the end to the exploitation of Chinese workers. The role of the global trade union community in engaging Chinese colleagues in realizing their rights would be of great importance and should be acknowledged.

AFTA-Social Contract

Some of the following issues if incorporated in the AFTA-Social Contract would contribute to averting the possible race to the bottom scenario.

1. Increasing technical and financial assistance within the ASEAN countries, particularly on social issues.
2. Initiating mechanisms on debt relief for expenses incurred in social issue
3. Setting up of an ASEAN Standards for environment, health and safety.
4. Promoting social security systems for old age provisions, unemployment, child benefits health care and accidents at work.
5. Increasing transparency and tripartite participation in trade decisions
6. Forming an ASEAN/AFTA Permanent Trade Union Advisory body represented by the trade union organizations.
7. Committing to gradually ratify and comply with the ILO Core Conventions.
8. Agreeing to some provisions for preferential treatment for the countries, which comply with the basic labour standards.
9. Trade negotiations to introduce legitimate investment incentives to countries, which uphold workers rights and to temporarily protect national industries from foreign competition.
- 10.

Education: Special issue

1. Education is fundamental to development of a country and it is the states' responsibility to provide Quality Public Education for All.
2. Nations have sovereign right to decide on education and health issues and trade agreements are not binding for these services.
3. Supporting primary school education programmes against dropping out of school and for the struggle against exploitation of child labour.

4. Agreeing that all possible consequences of trade are unknown and therefore a system for continued public scrutiny is developed.
5. Agreeing on the list of services not open to trade
6. Taking up regional measures to create jobs, including support jobs and stop skills drain.
7. Acknowledging that education is not a commodity and academic freedom, quality of education is of paramount importance.

TEXT OF ADDRESS BY SENATOR ZAINAL RAMPAK, PRESIDENT, MALAYSIAN TRADES UNION CONGRESS (MTUC), SECRETARY GENERAL, ASEAN TRADE UNION COUNCIL (ATUC) AND MEMBER, ILO GOVERNING BODY (WORKERS' GROUP) AT THE FES ROUNDTABLE-WORKSHOP ON "AGAINST A SOCIAL 'RACE TO THE BOTTOM' - THE DEMAND FOR AN AFTA SOCIAL CHARTER?" HELD AT THE ROYAL PARK PLAZA HOTEL, SINGAPORE ON MONDAY, 30 JUNE 2003 AT 3.00 P.M.

TOPIC: THE ROLE OF ATUC IN THE PROMOTION OF SUSTAINABLE DEVELOPMENT IN ASEAN

OPENING REMARKS

Dear Friends,

As we are gathered here today to discuss the impact of trade regionalisation on labour, the dark clouds of armed aggression and their after-effects are still hanging over Iraq, bringing about immeasurable misery, suffering and pain to the people of Iraq, particularly the old, disabled, women and children. What we are seeing now in the Middle East is a social holocaust that has known no parallel since the Dark Ages. Workers are right in the midst of all these and have to accommodate these unforeseen circumstances while struggling to earn an honest livelihood.

REGIONAL INTEGRATION OF ASEAN

Dear Colleagues,

The Asean Free Trade Area (Afta) was implemented in 1993 and initially entered into by six Asean member states, namely Malaysia, Singapore, Thailand, Indonesia, Brunei and Philippines. Subsequently, the remaining four states, namely Laos, Cambodia, Vietnam and Myanmar (Burma), were included as signatories to the Afta treaty. Afta is, for all intents and purposes, an extension of the World Trade Organisation (WTO) which was entered into in Singapore on 13 December 1996, though some quarters may disagree.

The objectives of Afta are:

- To promote trade and industrial linkages among Asean member countries
- To develop Asean as a competitive manufacturing base at the global level
- To attract foreign direct investment
- To implement the Common Effective Preferential Tariff (CEPT) mechanism through there will be gradual reduction, and the eventual elimination, of tariffs

Afta has, since then, gone through numerous changes which have had visible effects on the economic, social and political structures of Asean member states.

The Asian economic crisis of 1997 is perhaps the beginning of the impact of Asean's regional integration on employment creation and employment sustainability. More than 30 million jobs were lost in Asean member states, of which 20 million were in Indonesia. Even after a five-year lapse, it has still not been possible for Asean to re-create the lost jobs, let alone creating new jobs for school leavers if Asean economies continue to remain sluggish and stagnant. As Asean aspires to reach "Zero Tariff" status for the first six member states by 2005 and for the four remaining states by 2010, workers can expect an even larger round of job losses caused by retrenchments, industry relocations to low-cost venues, outsourcing, contract labour and migrant workers. When the Asean regional market is opened for competition, Asean member states will also be faced with an onslaught of cheap, low-cost products from other countries. Such a situation is bound to cause distortions to local market behaviour and create artificial demand that has no quality basis.

STRUCTURAL ADJUSTMENT IN CHINA AND ITS IMPACT ON ASEAN

Ladies and Gentlemen,

When China joined the W T O in December 2001, everyone knew for sure that a sleeping giant has been awakened. Given China's huge population base of 1.3 billion, any business enterprise that decides to relocate to China is looking at a virtually unlimited customer base. This is the rationale for many enterprises moving from Asean countries to China. According to a recent report by international portfolio managers JP Morgan, "lower-cost China is taking away Asean's low-value-added production" and that "except Singapore which relied on importing talent, Asean was unable to graduate to higher value-added services because it had insufficient skilled labour." The report further states that "Asean's share in emerging Asia's total electronics exports is destined to decline further." The low wage cycle has also helped to improve corporate balance sheets, reserve-to-asset ratios and share values. Quite obviously, this vicious cycle of low wages - high profits-job losses will continue unabated unless the social action groups, particularly the organised labour movement, takes a strong position against this exploitative trend and mobilises the undivided support of the tripartite social actors, namely governments, employers and workers, on the need to establish, and promote, sustainable development policies with a clearly visible social dimension.

ILO'S "DECENT WORK" CONCEPT

Friends,

The ILO has developed the "Decent Work" concept as its mission statement for the new millennium. "Decent Work", which was adopted by the International Labour Conference in 1999 as a follow-up to the ILO Declaration on Fundamental Principles and Rights at Work of 198, is perceived as the way

forward to establish, and improve, sustainable development through rights-based initiatives.

"Decent Work" contains four important functional components, namely:

- Employment creation
- Core labour standards
- Social protection
- Social dialogue

The ILO views employment creation as the key to poverty eradication and socio-economic progress. "Decent Work" calls for the creation of "full, productive and freely chosen employment" pursuant to ILO Convention 122 (Employment Policy) as an important macro-economic policy initiative to successfully fulfill the social obligation of governments and employers towards the local populace. The rapidly expanding informal sector in Asean as a result of the Asian economic crisis has effectively annulled the progress attained by Asean countries in job creation during the economic boom years of the mid-nineties.

The eight core Conventions of the ILO that deal with the right of association and the protection of the right to organise, the right to collective bargaining, forced labour, employment discrimination, equal remuneration, minimum age, and the reduction and eventual elimination of child labour constitute core labour standards.

Social protection calls for the establishment of effective and viable social security structures with the view to providing adequate social safety nets for workers. "Decent Work" proposes the setting up of social security mechanisms to provide financial assistance to the old, handicapped and permanently disabled, retirement and pension funds, minimum wage laws, unemployment insurance schemes and retrenchment funds to assist displaced workers, particularly during their twilight years.

Social dialogue calls for the meaningful participation of governments, employers and workers as equal-status tripartite social partners in all strategic planning processes. Social dialogue also promotes consultations between the tripartite partners before the formulation and implementation of macro-economic and social policies.

ROLE OF ATUC IN PROMOTING SUSTAINABLE DEVELOPMENT

Dear Brothers and Sisters,

The Asean Trade Union Council (ATUC), since its inception in 1994, has been actively involved in the promotion of fraternal cooperation, exchange of information and the formulation of strategic approaches on all matters involving the collective well-being of workers in the Asean region. ATUC is also working closely with fraternal like-minded workers' organizations such as ICFTU-APRO, FES and the International Confederation of Arab Trade Unions (ICATU) to mobilise mutual support within ATUC affiliates comprising the national trade union centres of Malaysia, Singapore, Thailand, Indonesia, Philippines, Vietnam, Laos and Cambodia to help improve workers' well-being in these countries. The Bureau for Workers' Activities of the International Labour Office (ILO- ACTRAV) in Geneva and

the ILO's Regional Office in Bangkok have also extended their invaluable resource support to the ATUC.

ATUC holds conferences, meetings and seminars on various workers' issues in cooperation with the ILO. The most recent event that ATUC organised was in Bangkok last year. It was a seminar on the employment dimension of Asean's economic integration and was attended by 26 participants from ATUC affiliates and three observers from ICATU, Syria. The seminar discussed and considered a number of issues, among which the following were considered particularly important:

- Job creation
- Job security
- Core labour standards
- Rights-based development
- Unemployment
- Youth marginalisation
- Macro-economic policies
- Structural adjustment policies
- Human resource development
- Occupational safety and health
- Productivity and cost competitiveness
- Corporate social responsibility
- Minimum wage policies
- Profit-sharing and gain-sharing compensation and benefits system
- Transparency and good governance
- Labour market policies
- Labour regulations and administration
- Migrant labour
- Child labour
- Environmentally sustainable development
- Union capacity building
- Social protection
- Gender equality
- Social dialogue

During the course of the deliberations, there was consensus among the participants that Asean governments had to be sensitised on the differential impact in varying national circumstances of the substantive issues concerning workers, and that the Asean Secretariat in Jakarta be approached to extend its cooperation in the dissemination of information and for the co-determination of policy initiatives. These suggestions and proposals have been incorporated in the Bangkok Protocol and the Proposed ATUC Follow-Up Action Plan in Pursuance of the Bangkok Protocol.

ATUC sees these initiatives from the following operational standpoints:

- Obtaining and mobilising support from national trade union centres for the contents of ATUC policy documents
- Lobbying at ministerial level for adoption of core ILO Conventions by Asean member states
- Monitoring the implementation of core labour standards with the assistance of the respective national trade union centres
- Establishing a comprehensive data-base on worker movements from labour-sending countries to labour-receiving countries
- Meeting the Asean Secretary General and seeking the Asean Secretariat's participation and cooperation in all ATUC-initiated events and activities

- Seeking official status as workers' representative in all Asean policy-making bodies and, committees councils
- Seeking recognition as workers' representative and participation as an observer in Asean Labour Ministers' meetings as well as in other meetings involving workers' interests

This list is by no means exhaustive. ATUC is willing to consider any mode of approach in cooperation with the parties concerned so long as the desired outcomes are achieved within a reasonable span of time. However, for these initiatives to succeed, the national trade union centres in Asean member states should extend their full cooperation to ATUC . This is ATUC's sincere request to Asean trade unions.

CONCLUDING REMARKS

My Dear Colleagues,

Asean is at the crossroads of change. On one hand, we have production economies working hard to achieve knowledge economy status. On the other, we have newly emerging economies which are undergoing economic restructuring to compete with the rest of the world. Workers, who constitute the back-bone of all economic systems, be they market-driven or knowledge -driven, are in a difficult state of social transition. While job creation is crucial for social development, job security is no less important for social harmony. Trade unions have been entrusted with the responsibility of maintaining a workable balance between these two let, and let us put our best step forward to make this a reality.

Thank you.

Singapore,
Monday, 30 June 2003

FES Roundtable on Against a social "race-to-the-bottom"
- The demand for an "AFTA – Social Charter"
30 June – 1 July 2003, Singapore

Towards an ASEAN social policy: A short statement
By Ching Chabo
Director, Economic and Social Policy Dept., ICFTU – APRO

A social policy is aimed at the improvement of the quality of life of people. It involves participation, fairness and a presence of structures and mechanisms as well as a set of programmes for the policy to be put in place for the benefit of the people that it targets. Though economic growth will facilitate social improvement but economic growth per se need not necessarily lead to social improvement. If there are no planned and targeted programmes to safeguard the fair distribution of gains from economic growth such growth could in fact lead to greater inequities and social degradation.

Participation means that the people have a choice to elect the people whom they consider are able to draw up a social policy for their benefit. It also means that the people have the opportunity to be involved in the drawing up and implementation of such a policy. In the case of labour it means the freedom and right to form and join unions to represent them to participate in any social dialogue including tripartite and bipartite participation such as collective bargaining. Thus the ILO core conventions on freedom of association and the right to organize and collective bargain i.e. conventions nos. 87 and 98 should be respected.

Fairness means non- discrimination due to nationality, race, culture, colour, gender and creed as well as no forced and compulsory labour and no child labour particularly the worst forms of child labour. A social policy should eliminate such unfairness in society. Here again the ILO core conventions nos. 100 and 111 on elimination of discrimination; nos. 29 and 105 on elimination of forced and compulsory labour; and nos. 138 and 182 on elimination of child labour should be respected.

Apart from the availability of the necessary government administrative and implementation structures and mechanisms for the implementation of a social policy the presence of trade union structures and other civil societies is also crucial to act as watchdogs and to provide the check and balance mechanisms to ensure that there are no deviations to derail the path to a fair and just society.

Social safety nets or social protection provide the set of programmes to enable people to not fall back or keep out of the poverty trap. It enables people to move to a higher level of quality of life or to at least maintain a decent level. The ICFTU – APRO have defined social safety nets as follows:

Social safety nets can be broadly defined as those instruments aimed at providing extended legal social protection, guarantee, and social security to the most needing sections of society, particularly the working class and the social poor as their human and social rights not only for their humane and social objectives in public policies and private participation, but as a system of international covenants, collective social contract and income redistribution.

This definition means that social safety nets include more than social security schemes and includes guaranteed minimum wage as well as other issues and that they can be developed through policy measures, collective bargaining and



international structures. Social safety nets involve redistribution of income. Trade unions have a key role to play. The social safety nets identified are :

1. employment promotion and employment security(include unemployment insurance, training and retraining, job placement , retrenchment benefits)
2. provisions for retirement/old age(a basic pension for all and others such as provident funds)
3. occupational safety and health(prevention and compensations)
4. provisions for minimum wage(at national level)
5. issues specific to women(maternity protection and provisions against sexual harassment)
6. provisions of basic medical care and treatment
7. provisions of education
8. provisions of social assistance programmes(housing, natural disasters etc.)

ICFTU – APRO has also carried out various activities to promote the issue of social safety nets. These are regional and national workshops and surveys and it also assisted its affiliates in their own activities on the subject.

In the context of ASEAN much still need to be done in drawing up a social policy involving all the above and implementing them. ASEAN is a grouping of countries with a diverse background. The population in the ten member countries ranges from 3 to 200 million; the system of government ranges from a military junta to elected governments; the Gross Domestic Product(GDP) per capita ranged from US\$151(for Burma) to US\$20,659(for Singapore) in 2001. These are but some examples of the diversities among the member countries.

Social policy has never been put in the forefront of its agenda by ASEAN as a group since its inception in 1967. The 9 ASEAN countries that are members of the ILO also do not have a reasonably good record of ratification of the 8 ILO core conventions as well as their implementation. None of its 12 basic documents has social issues as its main theme. If social issues were included it would be as part of some other issues. Its organizational structure also reflects this. Economic and financial matters stand out as its main concern. It took a devastating crisis i.e. the 1997/98 Asian financial and economic crisis for ASEAN to give more emphasis to social issues as a response to the social impact of the crisis where millions of workers were thrown out of jobs without adequate social safety nets to cushion the impact.

Globalization in fact calls for more and not less social safety nets as seen during the 1997/98 crisis. With the challenges that ASEAN is facing now especially with China's entry into the World Trade Organization ASEAN should not allow the race-to-the bottom to be its mantra. This will be disastrous and will push ASEAN backward instead of forward.

ASEAN should instead further develop its social institutions and infrastructure to build itself a society that is able to cope with any crisis. This is an opportune time to so as it continues its efforts to rebuild itself after the crisis. It has to put social issues squarely in the forefront by developing a comprehensive social policy incorporating the issues discussed earlier in the statement and building the means to put into action such a policy. Besides its member countries as part of the United Nations community have the obligation to put into action the commitments they made at the UN World Summits for Social Development. With a combined population of around 500 million and abundant natural resources ASEAN should use its resourcefulness to do so. The people and particularly the workers in ASEAN deserve a decent quality of life.

Trade unions must play their role as well. Trade union unity is vital in the countries concerned as well as solidarity of trade unions at the regional and international levels. Thus building trade union is a task that needs continuous effort and commitment by all.

Ratifications of Core ILO Conventions by Country and year of Ratification – Southeast Asia

	Freedom of association and collective bargaining		Elimination of forced and compulsory labour		Elimination of discrimination in respect of employment and occupation		Abolition of child labour	
Country	<u>Conv. 87</u>	<u>Conv. 98</u>	<u>Conv. 29</u>	<u>Conv. 105</u>	<u>Conv. 100</u>	<u>Conv. 111</u>	<u>Conv. 138</u>	<u>Conv. 182</u>
Cambodia	1999	1999	1969	1999	1999	1999	1999	
Indonesia	1998	1957	1950	1999	1958	1999	1999	2000
Lao People's Democratic Republic			1964					
Malaysia		1961	1957	1958 den.: 1990	1997		1997	2000
Burma	1955		1955					
Philippines	1953	1953		1960	1953	1960	1998	2000
Singapore		1965	1965	1965 den.: 1979	2002			2001
Thailand			1969	1969	1999			2001
Viet Nam					1997	1997		2000
Total of 9*	4	5	7	4	7	4	4	6

Source : International Labour Organisation

Note : *Brunei is not a member of the ILO

EU social policy

Outline and objectives

- To examine the changing objectives of EU social policy, from the initial Rome Treaty provisions to promote labour mobility and improved working conditions, on to the concern with social cohesion and the need for a social dimension to the single market and the concern with employment strategy and more flexible labour markets
- To examine the instruments of EU social policy and, in particular, the process whereby the Social Charter became the Social Chapter. Also the role of social dialogue.
- To discuss the EU's social policy role and its limitations

The debate on social policy I we need to improve and harmonise social regulations across the EU

The trade union arguments

- Social dumping must be prevented- unfair competition from countries with lower social standards must be banned
- There is a threat of job flight to more loosely-regulated member states; this will erode high social standards in other states
- Regulation increases efficiency – a more regulated labour market helps to justify investment in training and improved working conditions

The debate on social policy II Conservatives and neo-liberals argue against improving and harmonising social regulations across the EU

The neo-liberal arguments

- Social dumping is not an issue – companies look at many other factors not just low social costs
- Social standards and labour costs are jointly determined; wrong to harmonise social standards without taking into account other elements of the total wage
- Ex ante harmonisation may be damaging to employment in lower-income countries and make them uncompetitive
- Ex ante harmonisation is unnecessary as it will occur on its own accord through market competition

EU labour market regulation in the Rome Treaty

- Binding provisions
 - freedom of movement for workers
 - right of establishment
 - equal pay for men and women
 - rights to social security for migrant workers
- Non-binding provisions
 - paid holidays
 - commitments to improving living and working conditions
 - general principles for a common vocational training policy
- Establishment of the European Social Fund
- 1970s First Social Action Programme resulted in a series of directives on working conditions, but further developments derailed by recession

The social dimension of the single market - the SEA

- Social provisions in the Single European Act 1987
 - widened the objectives of social policy with a commitment to harmonisation of national provisions with regard to health, safety, environmental and consumer protection, and to policies to foster **economic and social cohesion**.
 - Set the objective of **harmonising health and safety conditions** in the context of 'encouraging improvements'
 - Introduced **Qualified Majority Voting (QVM) for health and safety measures** which were deemed essential for the creation of the single market
 - Non-binding commitment to encourage a **social dialogue**

The social dimension of the single market - the Social Charter

- Sets out twelve major principles (non-binding)
 - Improvement in living and working conditions
 - Right to freedom of movement
 - Fair employment and remuneration
 - Right to social protection
 - Right to freedom and collective bargaining
 - Right to vocational training
 - Right of men and women to equal treatment
 - Right to information, consultation and worker participation
 - Right to health protection and safety at the workplace
 - Protection of children and adolescents
 - Support for elderly persons
 - Support for disabled persons

Follow up to the Social Charter

- Adopted by 11 of the 12 member states in December 1989 (UK objecting)
- Followed by a second **social action programme** to ensure workers' rights regarding employment contracts, collective bargaining, health and safety in the workplace, consultation and participation, parental leave and social protection.
- Most controversy on the directives on atypical workers, establishing minimum employment conditions for young people, restrictions on working hours, establishing minimum paid maternity leave
- UK objection to Commission strategy to introduce these directives under health and safety provisions where QVM applied

Maastricht Treaty and the Social Protocol (1)

- The **Agreement on Social Policy** reformulated the EU's social goals: as well as the promotion of employment and improved living and working conditions, it included 'proper social protection', dialogue between management and labour, and the 'development and combating of exclusion'
- Extended QVM to working conditions, information and consultation of workers, equality and the integration of the unemployed. Unanimity still required for measures affecting social security and social protection, redundancy, employee representation, immigrant workers etc.

Maastricht Treaty and the Social Protocol (2)

- Because of UK opposition, the Agreement on Social Policy was annexed to the Treaty as a Protocol. However, in 1997 new UK government brought the UK into the Social Protocol. Added to the main Treaty by the Amsterdam Treaty.
- 1994 White Paper on Social Policy led to third Social Action Programme

The growing remit of EU social policy

- Free movement
- Working conditions and industrial relations
- The European Social Fund
- Health and safety
- Equal treatment of men and women
- Education and training
- Employment
- Consumer policy
- Social exclusion

Social partnership at EU level

- Debate about the need for a European framework of industrial relations between the 'corporatists', who see it as an important way to strengthen social cohesion, and the 'neo-liberals', who see it as a threat to labour market flexibility
- Social partnership in practice prior to Maastricht Treaty
 - Economic and Social Committee
 - Advisory and Sectoral Committees

Social partnership at EU level

- Agreement provided for central role for the social dialogue
 - Commission obliged to consult management and labour before bringing proposals to the Council of Ministers
 - Member states can delegate implementation of directives to the social partners
 - where social partners agree on action between themselves, they can ask for Community legislation to enforce this
- Employers' groups now prepared to work the social dialogue provisions of Maastricht - under this procedure the European Works Council, atypical work contracts and parental leave directives have been approved

Amsterdam Treaty: small advances for employment and social policy

On 17 June 1997 in Amsterdam, the European Council agreed on a new draft Treaty

The objectives of the Treaty

- enhance the rights of European Union (EU) citizens and place further emphasis on the basic principles of the Union in terms of democracy and individual rights;
- establish an area of free movement, security and justice;
- strengthen EU policy-making in areas such as employment, social policy and the environment;
- introduce changes in institutional arrangements and decision-making procedures and simplify the way the EU works and help prepare it for enlargement;

Social policy in the Amsterdam Treaty

- Treaty sets as objectives "the promotion of employment, improved living and working conditions, proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion"
- Employment chapter
- Provision on social exclusion
- Opposition to discrimination
- Extend equal pay commitment to work of equal value
- Strengthens support for EU social dialogue

The Amsterdam Treaty contains a number of provisions relevant to industrial relations (I)

- **Employment policy:**

A new "employment chapter" sets the objective of working towards the development of a "coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change".

According to article 4 of the employment chapter the EU Council will consider the employment situation in the EU annually and draw up guidelines for employment policy.

The Amsterdam Treaty contains a number of provisions relevant to industrial relations (II)

Article 118c is listing matters where the Commission will encourage Member States to coordinate their actions. These include:

- labour law and working conditions;
- basic and advanced vocational training;
- social security;
- prevention of occupational accidents and diseases;
- occupational hygiene; and
- the rights of association and collective bargaining between employers and their workers.

The Amsterdam Treaty contains a number of provisions relevant to industrial relations (III)

- A new paragraph is added to Article 119 allowing the Council, by using the co-decision procedure, to adopt measures to ensure the application of the principle of equal opportunities and equal treatment of men and women in employment, including the principle of equal pay for work of equal value.

The Amsterdam Treaty: ETUC Response

- ETUC has welcomed the inclusion of the social chapter, but argued that this and the new employment chapter alone are insufficient in obtaining significant advances.
- ETUC had sought a strengthening of social and employment policy and was particularly keen to see it placed on a par with monetary policy.
- ETUC has called the draft Amsterdam Treaty a minimalist solution to the dilemma facing European labour markets.

EES: The European Employment Strategy

- The Luxembourg Jobs Summit (November 1997) launched the European Employment Strategy, based on new provisions in the Employment title of the Treaty.
- At the Lisbon Council (March 2000), the EU set itself a new strategic goal: *to become the most competitive and dynamic knowledge-based economy in the world by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion.*
- The Stockholm European Council (March 2001) added two intermediate and one additional target: the employment rate should be raised to 67% overall by 2005, 57% for women by 2005 and 50% for older workers by 2010.

European Works Councils (I)

- The European Works Council Directive (EWC) requires every company employing more than 1000 workers in the EU, with over 150 in at least two member countries, to establish an EWC.
- The EU's Council of Ministers adopted the Directive on 22 September 1994, and exactly two years later it entered in force in 14 EU member states plus Norway, Iceland and Liechtenstein.
- But even before the EWC Directive took effect on 22 September 1996, 430 European Works Councils were already operating, in around 400 different multinational companies.
- The very first EWC came into being in 1985 in the French multinational Thomson, followed one year later by an agreement at another French firm, Danone.

European Works Councils (II)

- The purpose of the Directive is to improve the right to information and to consultation of employees in Community-scale undertakings and Community-scale groups of undertakings.
- The central management shall be responsible for creating the conditions and means necessary for the setting up of a European Works Council or an information and consultation procedure.
- Where the central management is not situated in a Member State, the central management's representative agent in a Member State shall take on the responsibility.

European Works Councils (III)

Article 6: Content of the agreement

1. The central management and the special negotiating body must negotiate (...) to reaching an agreement on the detailed arrangements for implementing the information and consultation of employees
2. Without prejudice to the autonomy of the parties, the agreement between the central management and the special negotiating body shall determine:
 - a. the undertakings (...) which are covered by the agreement;
 - b. the composition of the European Works Council, the number of members, the allocation of seats and the term of office;
 - c. the functions and the procedure for information and consultation of the European Works Council;
 - d. the venue, frequency and duration of meetings of the European Works Council;
 - e. the financial and material resources to be allocated to the European Works Council;
 - f. the duration of the agreement and the procedure for its renegotiation.

European Works Councils (IV)

Agreements in force

1. Without prejudice to paragraph 2, the obligations arising from this Directive shall not apply to (...) undertakings in which (..) there is already an agreement, covering the entire workforce, providing for the transnational information and consultation of employees.
2. When the agreements referred to in paragraph 1 expire, the parties to those agreements may decide jointly to renew them. Where this is not the case, the provisions of this Directive shall apply.

European Works Councils – facts and figures (V)

A recently issued study by the European Trade Union Institute uncovers a weak spot in interest representation in multinational undertakings in Europe:

- only 639 of these companies have European works councils. These EWCs do represent over eleven million workers;
- but if all the 1865 firms falling within the scope of the Directive were to comply with its provisions, then a further six million workers would be able to exert cross-border influence on the decisions taken by multinationals.

European Works Councils – facts and figures (VI)

- More than 400 agreements have been concluded under Article 13 of the Directive
- More than 100 agreements have been concluded under Article 6 of the Directive
- Fifteen thousand EWC members are now experiencing the needs and challenges of international trade union cooperation. Among the established EWCs, 32% faced a transnational merger or acquisition in 2000.

European Works Councils – facts and figures (VII)

- Most of the multinationals covered by the terms of the Directive have their headquarters in Germany, the USA, Great Britain and France. Their main areas of activity are services, metals and chemicals.
- Only a few are present in ten or more European Economic Area (EEA) countries, while 40% are active in no more than two or three.
- A relatively large number of multinational undertakings are also active in the accession countries, but less than 30% of them take advantage of the (still voluntary) option to offer representation or observer status on the EWC to the workers' representatives from these countries.

European Works Councils – facts and figures (VIII)

- An analysis of the agreements reveals that many of them were set up with the support of European industry federations
- in 30% of cases this involvement is officially acknowledged in the text of the agreement.
- This is clear evidence of the important role played by the trade unions in implementing the EWC Directive, constituting an aspect which ought finally to receive recognition in its revision.

EES Employment Policy co-ordination is to be built around several components:

- **Employment Guidelines:** following a proposal from the Commission, the European Council shall agree every year on a series of guidelines setting out common priorities for Member States' employment policies.
- **National Action Plans:** every Member State shall draw up an annual National Action Plan which describes how these Guidelines are put into practice nationally.
- **Joint Employment Report:** The Commission and the Council shall jointly examine each National Action Plan and present a Joint Employment Report. The Commission shall present a new proposal to revise the Employment Guidelines accordingly for the following year.
- **Recommendations:** The Council may decide, by qualified majority, to issue country-specific Recommendations upon a proposal by the Commission.

Lisbon- European social policy agenda

- Lisbon Summit highlighted link between economic success and Europe's social model – guiding principle of new agenda is that social policy is a **productive factor**.
- Not intended to harmonise social policies, but to define common European objectives and increase co-ordination
- **Full employment and better jobs** (raise employment rate to 70%, quality working environment, pursue knowledge-based economy, free mobility)
- **Quality of social policy** (adapt social protection systems, prevent poverty, gender equality, oppose discrimination)
- **Quality in industrial relations** (promote social dialogue, lifelong learning)

Summary on EU labour market and social policy

- Debate now dominated by employment issues, with swing towards neo-liberal position on labour market flexibility
- Some signs of a growing consensus
 - end of UK opt out on the Social Chapter
 - willingness of employers to participate in the social dialogue
- Focus on labour market issues and protecting the EU worker in the past - the potential of a 'European social citizenship' in the future

An 'AFTA-Social Charter' – An alternative platform for growth and social development

The Impact of Globalization – AFTA and China – on South East Asian Workers.

The impact of the full implementation of the ASEAN Free Trade Agreement (AFTA) and the accession of the PR China into the WTO on workers and trade unions in Southeast Asia must be understood in the context of the on-going efforts to further liberalize and realize economic cooperation in the region towards a more rules based system. Equally important is to recognize the impact of multinational corporations' planning, investment and production strategies. These corporations have unprecedented access to markets and largely operate outside democratic control of States and international regulations. These corporations' are the major beneficiaries of globalization and their influence on people, their livelihoods and on future generations is significant.

At the Fourth ASEAN Summit in Singapore in January 1992, the ASEAN heads of government formally agreed to establish an ASEAN Free Trade Area (AFTA) and signed the Singapore Declaration and the Framework Agreement on Enhancing ASEAN Economic Cooperation. The ASEAN Economic Ministers signed the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for AFTA. This scheme is the main mechanism for the realization of AFTA. Neither the Framework Agreement nor the CEPT Agreement makes any reference to social policy issues.

The ASEAN Free Trade Area is designed to increase ASEAN's competitive edge as a production base geared for the world market. It is anticipated that through embracing of free market rules and the elimination of intra-regional tariffs and non-tariff barriers ASEAN will become more efficient and competitive. Furthermore, with a regional market of 500 million, investors hope to enjoy economics of scale in production. FDI is expected to flow into the region to take advantage of the market size and in turn stimulate growth of supporting industries in the region.

The implementation of AFTA should be perceived in the context of the ongoing embracing of neo-liberal ideology and economics in various countries in the region. Underpinning this ideology is the notion that markets are efficient and best allocator of resources among competing ends. Such thinking led to the undermining of the important role of the state, specifically its distributive and social-welfare responsibilities to vulnerable groups. Countries in the region have de-regulated and privatized their economies including essential services such as healthcare, water, electricity and education. Subsidies and cross-subsidies have been eliminated as a result including existing social safety responsibilities of the state. Therefore AFTA's free trade positioning is a further development of the on-going domestic restructuring in countries of the region.

Taken together – domestic and regional restructuring – AFTA is designed to promote competitiveness and growth of a resilient regional economy through greater cooperation amongst the participating countries vis-à-vis China and globally. The situation on the ground, however, is appears to be going in the opposite direction – countries in the region appear to be competing with each other given that they are producing the same products and sometimes for the same market and not goods and

services that are in demand in other countries of the region. Thus, AFTA countries are essentially competing with each other for a share of the same market, thus outplaying each other.

A rules based national and regional free trade environment creates a safe investment and business environment for big business. There is a concern that the presence of foreign multinational corporations will have more impact on the region as opposed to the intra-ASEAN trade and investments. Foreign multinational corporations tend to push for liberalization and dictate business and organizational restructuring as a pre-requisite for investments.

To this end, governments are forced to accept zero tariffs, privatization, liberalization and structural adjustments as part of creating a favorable business environment. As part of capitalist competition, employers restructure their business to the detriment of workers. This includes outsourcing, introducing flexi-work hours and job-sharing, tele-working, home based work, increasing the length of the working day and are relocating operations to low wage countries, such as China. Business uses the movement of production activities to China to push wages down. Economic globalization has transformed workers into substitutable, flexible and disposable commodities and has subordinated nation-states.

It is estimated that about three quarters of all foreign direct investments to the developing world goes to China. The clear investment victim of such a trend is ASEAN. Ten years ago FDI to China and to ASEAN was more or less equal, today only one quarter goes to the ASEAN region. Hundred thousands of jobs have been lost in Southeast Asia due to China's enormous economic expansion, huge market potential, massive foreign investments and cheap exports coupled with low wages and hardly any social protection for its workforce.

Furthermore, the 1997 financial crisis resulted in millions of workers losing their livelihoods, thousands committing suicide. Major gains made by women workers in the previous decade were reversed and countries were forced under IMF receivership. Whilst the economies of most ASEAN countries have to some extent recovered, the reputation of the ASEAN suffered. The Asian Crisis did not bring about the hoped-for change in the political culture of member states. Nepotism, corruption and a lack of transparency are even now, five years after the beginning of the crisis, part of the core problems. Political and social tensions have further increased.

The embracing of liberalization policies as central to economic development in the region is a process that has a tendency to create unequal development between and within countries of the region, economic dislocation of workers, and tends to favor foreign multinational corporations as opposed to local industries. The influx of industrial and agricultural products as result of trade liberalization favor bigger and stronger players and wipe out small and medium producers. Small and medium producers are an important source of employment in the region will be adversely affected by AFTA.

The lack of harmonization in labor laws in the region is another source of distress for workers. Labor legislations in several of the ASEAN countries contribute to further dis-empowering workers and as a result prevent them from being able to bargain for better conditions of work, terms of employment and better wages. In addition the reluctant implementation of existing laws further marginalize workers as oppose to providing safe-guards and protection from exploitations and the vagaries of the market. Furthermore the region is home to a large poorly paid informal sector operating completely outside of labor legislations.

The enormous pressure on the labor markets of ASEAN countries is accelerating the 'race-to-the-bottom' spiral with corresponding effects on wages, working conditions and the bargaining power of trade unions. Policy-makers, and also stakeholders like trade unions will have to resolve these problems in order to prevent or at least to reduce the negative consequences.

How do we ensure that the promised AFTA centered growth and prosperity be equitably distributed between labor and capital. AFTA as presently conceived (trade and investment growth) favors regional elite and foreign big business. There are no institutional mechanisms established in AFTA that ensures that workers rights and economic interests are protected. In fact there are no mechanisms to ensure that the condition of the working class does not deteriorate any worse under AFTA or the minimal gains in the last decades reversed. How do we institutionalize workers rights and welfare within a regional trading agreement such as AFTA?

An 'AFTA- Social Charter' may address some of these concerns so that the majority of the population can benefit and avail of the social surplus generated in the region. Essentially, an 'AFTA-Social Charter' could play a distributive justice role within the ASEAN region. Studies are showing that a more equitable distribution of wealth leads to greater economic growth in developing countries. The roadmap to realizing a better distribution possibility could begin with the harmonizing and homogenizing of labor, improved environmental, safety and health standards, fair and just remuneration of all workers and above all the protection of decent jobs in the region.

Why a Social Charter premised on the notion of the Right to Development.

An 'AFTA-Social Charter' rooted in the context of the Right to Development could address 'the race to the bottom'. The framework could serve as an alternative - economic, social and political - architecture for a different kind of economic integration, one that would aspire to create an enabling and democratic environment for the promotion of human development.

A social charter perceived in the context of the Right to Development integrates workers inalienable rights¹/ human rights and civil society empowerment to the realization of human development. Such a conception indicates that workers rights/human rights² and human development are mutually reinforcing and they collectively expand peoples' choices and capabilities and at the same time protect peoples' rights and fundamental freedom.

A human rights perspective on development encourages retrenched workers, for example, to claim their rights, participate in a decision-making processes and are empowered to demand change. Furthermore, governments have an obligation to protect, promote and ensure the realization of an enabling environment, one that is predicated on human and worker rights.

The Right to Development analysis indicates that poverty, decreasing real wages or inability to organize unions or state victimization of workers are a violation of human and worker rights and contributes to unsustainable development. This is because poverty and laws that deny the right to unionize deny people the right to sustain a decent standard of living and quality of life.

¹ In 1998, the ILO adopted the Declaration on Fundamental Principles and Rights at Work. Confirming the importance of the core labor standards as human rights.

² Human Rights expresses the idea that all people have claims to social arrangement (norms, institutions, legal framework) that protect them from abuse and deprivation.

In addition, it is suggested that unfair trade practices and rules promoted by multilateral trading institutions also contribute to infringement of workers rights and lead to the marginalization of workers. Trade liberalization and economic globalization require workers to be considered as substitutable commodities between countries and region, leading to the spiral to the bottom, and in the process reverse the gains of the working class achieved as a result of years of struggle.

The Right to Development strategy provides the basis for moral legitimacy and social justice to the objectives of human development. Furthermore, it allows to determine the legitimacy of governments, regional trade agreements, multilateral trading rules and institutions based on their ability to realize the Right to Development for workers and vulnerable groups. Most importantly, a 'Social Charter' could call for radical rethinking of our development policy and could propose a development model based on the Rights approach, one that promotes a fair and just trading system, which works in the interests of all stakeholders.

The proposed 'Social Charter' goes beyond a voluntary code of conduct such as the OECD Guidelines on Multinationals and the United Nations Global Compact. Codes of Conducts do not have the legal enforcing mechanism and are not sufficient enough to prevent multinational corporations from abusing worker/human rights. Furthermore, Codes of Conduct are used as an excuse by States for not establishing effective regulations.

A 'Social Charter' premised on the Right to Development has the unique property of empowering changes from the 'bottom-up' or from below and forcing change from 'top-down'. This process requires workers, trade unions and civil society to engage employers' organizations and governments. Specifically, it would require trade unions to influence state policies, namely to translate social and human rights into national legislations and policy implementation.

An 'AFTA-Social Charter' puts the State on notice, including multinational corporations and multilateral institutions their obligations in creating an enabling environment for the development of workers as a matter of human right. In fact, a 'Social Charter' should demand a legal and institutional commitment on the part of the government and corporations for a better quality of life and standard of living for working women and men in the region.

States and multilateral actors are then legally required to create better conditions of work where environmentally best and safe practices are incorporated into industrial production to ensure that workers operate in a healthy and safe environment. Also, fair remunerations, the right to decent work without exploitation, the right to organizing and collective bargaining without state intervention and corporations' intimidation are perceived as necessary elements of the new enabling environment, one that is essential for full human development.

Thus, it is envisaged that an 'AFTA-Social Charter' would lead to a legal and institutional framework, one that can be enforced to protect workers rights. For an 'AFTA-Social Charter' to be realized requires an independent judiciary and the citizen's rights for redress as essential for an alternative democratic economic integration.

In short, an 'AFTA-Social Charter' calls for alternative trading rules, ethical business and corporate practices and State commitment in order to ensure an enabling environment, one that will stop the downward movement of real wages and consequently, quality of life and standard of living for workers and their families in the region.

Demands in the context of the 'AFTA-Social Charter'

- a)** The AFTA Framework Agreement has to integrate a 'Social Charter', establishing and respecting the social and workers/human rights of the people of all countries in Southeast Asia.
- b)** Social rights should be secured without discrimination on grounds of race, sex, religion, political opinion and national or social origin.
- c)** An 'AFTA-Social Charter' has to include all basic rights and principles necessary to improve the standard of living and to promote the social well being of both the urban and rural working populations. The 8 ILO Core-Conventions (trade union rights, equal treatment, forced labor and elimination of child labor) are regarded as binding on all AFTA member states.
- d)** An AFTA – Social Charter has to include the protection of migrant workers in the region. Migrant workers should be accorded protection as stipulated in the various ILO conventions. It would involve migrant workers who come from outside the AFTA region.
- e)** The AFTA agreement must institute a reporting and enforcement mechanism to ensure that there are no compromises on health and safety, labor and environmental standards for the sake of encouraging investments. Essentially, there should be no trade-promoting slackening of labor or environmental standards that impact on the lives of millions and future generations. Any violation of this stipulation should constitute a basis for a legal challenge and as an unfair trade practice.
- f)** The AFTA dispute settlement mechanism should be made transparent and accountable to the people of the region. In 1996 ASEAN governments adopted a dispute settlement mechanism, which is similar to the World Trade Organization. Article 5 on the Protocol of Notification Procedures entitled 'Confidentiality of Notification'. It indicates that 'the contents of the notification and all information relating to it shall be treated with confidentiality'. Interest groups must have recourse to the dispute settlement body and not just the State and corporations. The mechanism must allow for the participation of non-governmental organizations, including trade unions and other interest groups such as consumers, environmentalists and human right activists. Discussions at the dispute settlement body should not take place in secrecy, thus there is a need for public access to information.
- g)** The AFTA agreement should consider establishing a Regional Development Fund, as in the case of Europe. The fund could help the poorer countries in the region and help to narrow the income gap between the rich and poor countries in the region. For example the fund could help countries subsidize adjustment cost i.e. to compensate for job losses, relocation and retraining of workers. The Fund could be used to improve economic and physical infrastructure in the poorer countries.
- h)** The AFTA – Social Charter should propose that member countries began a process of reversing the privatization of essential services such as water, healthcare, electricity, and education. These essential services constitute necessary social safety protection of vulnerable communities, especially in periods of crisis. More importantly, the provisioning of such services should be considered a fundamental human right and as a constitutional responsibility of states to its citizens.
- i)** There is an urgent need to establish 'living and just wage' and a regional fund for the retraining of workers. At present corporations are using the threat of AFTA to reduce wages. Also, jobs have been permanently lost to China or as a result of new

technology, or as a consequence of relocation to cheaper production centers in the region. A region wide just and living wage could serve as a deterrent to such mobility. Conversely, an effort to create a just and living wage could serve to create an upward harmonization of labor standards, including wages. A just and living wage could be a function of local cost of living, reproduction of the family, social safety protection considerations.

j) The AFTA agreement must insist on meeting social qualifications as a criterion for continued participation in AFTA. There must be a respect for the environment, a viable living and just wage, social safety nets including retraining of displaced workers, stiff health and safety regulations and the right to organize and collective bargaining. Furthermore, member countries must have an independent judicial system, state commitment to a democratic process and strengthening of human rights in the various countries of the region.

Role of trade unions

a) Trade Unions and other elements of civil society have to advocate for a 'Social Charter' in the context of the existing AFTA agreement as in the 'European Social Charter'. (In the North American Free Trade Agreement (NAFTA) there are two side agreements, one involving workers rights and the other on environmental issues. But the side-agreements established by NAFTA allow countries to implement its own national laws.) Trade unions in the region should demand an agreement that can protect workers from economic dislocation and vagaries of the market. Social safety nets are not the sole solution. This is because workers have been made vulnerable as a result of on-going privatization and liberalization of health, education, electricity and other basic amenities in the region.

Governments and parliamentarians need to be lobbied to make the 'Social Charter' legally enforceable throughout the region. The ASEAN secretariat has to be lobbied as well. It is suggested that central to workers demands in the context of an 'AFTA-Social Charter' is the struggle for a living (minimum) wage. Specifically there must be region-wide demands to institute a minimum wage calculated in proportion to the growth of each country's Gross Domestic Product.

Furthermore, a 'Social Charter' strategy could unite various civil society groups including trade unions to resist the dislocations unleashed by economic globalization. Such a strategy could facilitate solidarity activities in various countries among elements of civil society including trade unions in violation of rights of workers and economic dislocation.

b) There is an urgent need to introduce legally binding laws and regulations to bring private corporations under democratic control of governments and international regulations. Specifically, multinational corporations should integrate profits and business practices within the context of human rights and environmental laws. Presently, multinational and national corporations, including multilateral institutions operate with immunity from democratic control. In fact, free trade rules such as GATS subordinate the State to the dictates of capital.

ASEAN Free Trade Area: AFTA

Basic Facts

Compiled by Katja Runst

Background:

At the fourth ASEAN Summit in January 1992 in Singapore, the ASEAN Heads of State and Government formally agreed to establish an ASEAN Free Trade Area (AFTA) and signed the Singapore Declaration and the Framework Agreement on Enhancing ASEAN Economic Cooperation.

"In the field of economic cooperation, we have agreed that: To further accelerate joint efforts in enhancing intra-ASEAN economic cooperation, ASEAN shall adopt appropriate new economic measures as contained in the Framework Agreement on Enhancing ASEAN Economic Cooperation directed towards sustaining ASEAN economic growth and development which are essential to the stability and prosperity of the region."

The ASEAN Economic Ministers signed the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme which constitutes the main mechanism for the realization of AFTA.

AFTA was designed during the rapid re-emergence of regional trade arrangements in the late 1980s and early 1990s, despite the multilateral efforts to liberalize international trade through the General Agreement on Tariffs and Trade (GATT). Increased regionalism was a major issue then. The birth of NAFTA in 1994 and the deepening and broadening process of the EC in the 1990s partly hastened the AFTA process.

Objectives:

- First and foremost, it is aimed at creating an integrated regional market and enhancing the ASEAN region's international competitiveness against other major competing economies in the global economy.
- Secondly, AFTA is an economic initiative to position ASEAN as a regional investment area in order to continuously attract foreign direct investment. This initiative is necessary in the light of keen competition with some of the fast emerging economies such as China and India to attract foreign investment because of their abundant labour supply and low wages.

Members:

- ASEAN's six "core" members - Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei
- ASEAN's newer members - Vietnam, Laos, Myanmar and Cambodia

Concept:

The Common Effective Preferential Tariff (CEPT) Agreement requires that tariff rates levied on a wide range of products traded within the region are reduced to 0-5 per cent. Moreover, quantitative restrictions and other non-tariff barriers are to be eliminated.

In 1992, it was decided that AFTA would be completed within a time frame of 15 years from 1993 to 2008. However, in 1994, the six original members of ASEAN (Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei) agreed to accelerate the completion process by 2003. Later in 1998, these six original members decided to further accelerate the process by another year, i.e. by 2002. The newer members were given a different time schedule: Vietnam 1996- 2006, Laos and Myanmar 1998-2008, Cambodia 2000-2010. At the ASEAN Economic Ministers Meeting in September 2002, these deadlines were brought forward by one year respectively.

The acceleration of the AFTA timetable has been adopted as part of the measures in response to the regional financial crisis.

The Common Effective Preferential Tariff Scheme:

The objectives of AFTA are to be achieved through a tariff reduction scheme known as the Common Effective Preferential Tariff (CEPT) Scheme that, in principle, covers all manufactured and agricultural products.

The scheme adopts two approaches, namely Normal Track and Fast Track, which will result in tariff rates for all relevant products being reduced to 0- 5 per cent by 2002/2003.

For implementation purposes, products have been divided into different lists:

Inclusion List (IL)

Products in the Inclusion List are those that have to undergo immediate liberalization through reduction in intra-regional tariff rates, removal of quantitative restrictions and other non-tariff barriers.

Temporary Exclusion List (TEL)

Products in the Temporary Exclusion List can be shielded from trade liberalization only for a temporary period of time. However, all these products would have to be transferred into the Inclusion List and begin a process of tariff reduction. Under the TEL is the automotive sector in Malaysia and the petrochemicals in the Philippines.

Sensitive List (SL)

This contains unprocessed agricultural products, which are given a longer time frame before being integrated with the free trade area. The commitment to reduce tariffs to 0-5 per cent, remove quantitative restrictions and other non-tariff barriers is extended up to the year 2010. The new members of ASEAN have up to 2013 (Vietnam), 2015 (Laos and Myanmar) and 2017 (Cambodia) to meet this deadline.

General Exception List (GEL)

These products are permanently excluded from the free trade area for reasons of the protection of national security, the protection of public morals, the protection of human, animal or plant life and health and the protection of articles of artistic, historic and archaeological value. The GEL includes products such as military armament and pornographic publications.

Table 1: CEPT Product List 2000, ASEAN6

Country	IL	TEL	GEL	SL	TOTAL
Brunei	6276	-	202	14	6492
Indonesia	7158	21	69	4	7252
Malaysia	9092	-	63	73	9228
Philippines	5571	36	27	62	5695
Singapore	5739	-	120	-	5859
Thailand	9103	-	-	7	9110
Percentage	98.4	0.13	1.10	0.37	100

Table 2: CEPT Product List 2000, ASEAN4

Country	IL	TEL	GEL	SL	TOTAL
Cambodia	3114	3523	134	50	6821
Laos	1247	2126	90	88	3551
Myanmar	2356	2987	108	21	5472
Vietnam	3573	984	219	51	4827
ASEAN Total	10290	9620	551	210	20671
Percentage	49.8	46.5	2.7	1.0	100

Source: ASEAN Secretariat

Status of Tariff Reduction:

- As of 1 January 2003, 98,8 per cent of the total tariff lines (products) for the original six member countries are already in the IL. Of this, 99,6 per cent have duties between 0-5 per cent.
- For each of the original six member countries, the percentage of products at tariff rates between 0-5 per cent is as follows: Brunei 99,8 per cent, Indonesia 100 per cent, Malaysia 99,3 per cent, Philippines 98,8 per cent, Singapore 100 per cent, Thailand 99,9 per cent.
- The combined average tariff for ASEAN 10 is 3,21 per cent.
- The combined average tariff for the six original members is 2,38 per cent.

(Source: Ministry of International Trade and Industry Malaysia)

Ultimate Target: Zero Tariff Rates

Member countries are working towards the total elimination of import duties on all products to achieve the ultimate objective of a free trade area. The AFTA Council has agreed that the target dates to achieve this objective will be in 2010 for the six original ASEAN member countries and 2015 for the newer members. This move is expected to create an integrated market where there is free flow of goods within the region.

Trade Facilitation:

ASEAN has devoted attention to trade facilitation in the area of customs and through the elimination of technical barriers to trade.

The fifth ASEAN Summit held in Bangkok, Thailand in December 1995 reaffirmed the commitments of removing all quantitative restrictions and other non-tariff barriers. It further mandated greater transparency in standards and conformance, alignment of product standards with international standards and establishment of mutual recognition arrangements on a bilateral and multilateral basis to facilitate greater intra-regional trade.

Possible Benefits of AFTA:

- The benefits of AFTA could be expected in the form of increased intra-regional trade and investment and improved resource allocation within the region. Traditionally, intra-ASEAN trade has rather been, on the whole, limited.
- Through greater market integration and trade liberalization, AFTA could contribute to achieve higher income per capita and economic welfare, and greater economic resilience for the regional economies.
- AFTA could facilitate specialization on the basis of comparative advantage, technology transfer among businesses, and improved resource pricing and management.
- With the larger market, AFTA could provide an opportunity for ASEAN enterprises to benefit from larger economies of scale.

Problems and Challenges:

- Since the inauguration of AFTA intra-regional trade has intensified. However, trade within the region is less than its trade with the rest of the world and less compared to the EU and NAFTA. The EU intra-trade flow is by far the largest amounting to US\$ 1400 billion, which comprises 70 per cent of the total trade. Whereas intra-ASEAN trade runs up to US\$ 180 billion, which comprises around 20 per cent of the ASEAN global trade. ASEAN needs to find ways to increase intra-ASEAN trade.
- There is a notion that the group's economies are too similar to one another and, therefore, cannot benefit from trading their comparative advantages.
- ASEAN states continue to compete with one another for similar investments.
- Compared with other RTAs, AFTA is small to carry any weight in influencing the flow of international trade and investment.
- Moreover, the proliferation of RTAs has brought forth many new competitors to the ASEAN. Recently, many commentators and trade analysts have warned that China, with its long-awaited entry into the World Trade Organization (WTO), takes away foreign investment from the rest of East Asia and thereby endangers its neighbouring economies.
- The single countries differentiate politically, socially and economically. Another issue is the income divide between the organization's member countries. The economic structure of ASEAN is one with two tiers. The new member countries

- classified as Southeast Asian transitional economies - are still behind in the development race, whereas the six original member countries are newly industrialized economies. This gap needs to be bridged if ASEAN is to grow together as a group.

- One of ASEAN's founding principles is non-interference: that all ASEAN nations shall not interfere with matters that are considered to be a member country's domestic affair. Member states back off at will from tariff-cut commitments and protect single industries.
- AFTA has assumed the ASEAN framework of non-intervention in sensitive areas such as trade unionism and labour legislation. Low wages and unorganised labour are attractive conditions for FDI and therefore, are retained as a long-term strategy to promote FDI. Some factories have a notorious reputation for inhuman labour practices. Especially women - who constitute the majority in light export-processing industries - become vulnerable to low wage FDI.

The AFTA process has focused extensively on tariff deregulation and investment streamlining without effective labour law harmonization throughout the region, which is needed to prevent abuses of the fundamental rights of labour such as forced labour, gender discrimination and child labour. Moreover, the ASEAN Trade Union Council does only embrace a limited number of unions in the region and has little impact on shaping the social environment.

- As AFTA is coming close to attaining its original objective, questions arose as to what is next for AFTA. The new wave of economic integration has moved beyond the regional level to become inter-regional and even hemispheric.

Against a social 'race-to-the-bottom' - The demand for an 'AFTA - Social Charter'

Venue: Plaza Parkroyal Hotel, 7500A Beach Road, Singapore 199591,
Tel.: 62 98 00 11

Background

The Singapore Office of the Friedrich-Ebert-Stiftung organized a conference in September 2002 in Singapore with the aim of drawing up recommendations, which might enable the entire region to benefit from China's entry into the WTO and protect the interests of labor and trade unions. The meeting brought together participants from all major ASEAN countries including representatives of labor institutions, relevant government agencies as well as national and international trade union organizations.

Two major questions were discussed at this meeting:

- How to protect workers in the process of structural adjustment in industries affected either directly or indirectly by China's WTO Membership?
- How to protect jobs? How to develop national and regional economic alternatives from a trade union point of view?

With regard to the first issue, the conference called for both a national accord on job security and a multi-stakeholder approach to industrial relations instead of a "race-to-the-bottom". In such a difficult period of time, it was seen as vital that trade unions are united in order to be able to deal with the challenges. (For the full report, please look at the FES-Singapore homepage <www.fesspore.org> (Regional co-operation / trade unions + labor.)

The conference participants decided to meet again in early 2003.

Aims and Objectives

- To look for alternatives to protect employment in the ASEAN region without going into a social 'race-to-the bottom'.
- To agree on concrete measures, e.g. drawing up of an 'AFTA - Social Charter'

Organisation

The workshop is aimed at stimulating dialogue and information sharing through brainstorming sessions so that every stakeholder's opinions are registered. All participants are expected to prepare a short statement on the issue. It is requested that the short statement outline a) specific issues that should be incorporated into an AFTA- social charter and b) its strategic impact at the national level in neutralising the 'race to the bottom'. This outline should be forwarded to FES by 25th June 2003. Friedrich-Ebert-Stiftung will secure an European trade unionist to elaborate on the European experiences with the 'European Social Charter' and Charles Santiago of Kuala Lumpur will introduce the idea of an 'AFTA - Social Charter'.

Participants

Participants will be invited from all major ASEAN countries, with presentations from labour institutions, relevant governmental agencies as well as national and international trade union organisations. Participation will be restricted to about 30 delegates to obtain an informative discussion.

Program

Monday, 30. June 2003

14:30 Coffee / Tea

15:00 Welcome and Introduction

Norbert von Hofmann , FES - Singapore

Introduction of Participants

Session 1

Short country and organization statements

- *Vietnam*
- *Thailand*
- *Singapore*
- *Philippines*
- *Malaysia*
- *Indonesia*
- *Cambodia*
- *Global Unions*

Open discussion

19:00 Welcome Dinner hosted by Friedrich-Ebert -Stiftung

Tuesday, 01. July 2003

09:00 Session 2

Towards an ASEAN social policy

Short reports by:

Ms Ching Chabo, ICFTU-APRO

TBA, ACTU

The European Social Charter - An introduction

Roland Schneider, TUAC Paris

A Social Charter for AFTA – A Strategy to stop the race to the bottom

Paper presented by: Charles Santiago, Malaysia

Lunch

14:00 Session 3

Towards a Social Charter for AFTA

- *A Plan of Action*

Brainstorming in small groups

14:45 Reports to Plenary and Open Discussion

16:00 Session 4

Follow-up activities and timeframe

Summary and Closing

Participants:

- (1) S Venkateswaran, Executive Secretary, ATUC
- (2) Roland Schneider, Trade Union Advisory Council (TUAC) to OECD, Paris France
- (3) Ms Ching Chabo, Director, ICFTU-APRO Economic and Social Policy Dept. Singapore
- (4) Charles Santiago, Consultant, Monitoring Sustainability of Globalization, MNS Diversified, Malaysia
- (5) G. Rajasekaran, Secretary General MTUC, Malaysia
- (6) Dr Voravidh Charoenloet, Chulalongkorn University, Thailand
- (7) Sakool Zuesongtham, President, Arom Pongpangan Labour Research Institute, Thailand
- (7) Tee Ling Zhi, Assistant Director, Legal Dept. Singapore NTUC
- (8) Cyrille Tan, General Secretary, United Workers of the Electronic & Electrical Industries, Singapore NTUC
- (9) Ms Khoo Woon Kung, Principal Executive Officer, International Affairs Dept. Singapore NTUC
- (10) Ms Nguyen Thi Kim Dung, Senior Expert, CIEM, S.R.Vietnam
- (11) Chau Nhat Binh, Deputy Head, Dept. For International Relations, MOLISA, S.R. Vietnam
- (12) Dao Quang Vinh, Deputy Director, Institute for Labour Research and Social Issues, MOLISA, S.R. Vietnam
- (13) Ms Melisa Serrano, Research Associate University of the Philippines, School Labour and Industrial Relations, Philippines
- (14) Gary Dionisio, Alliance of Progressive Labour, Philippines
- (15) Ms Luisa Gigette Imperial, Bureau of Labour, Dept. of Labour and Employment, Government of the Philippines
- (16) George McLeod, Advisor, FTUWKC, Cambodia
- (17) Ouk Samvithyea, Director, Social Security Dept. Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation, Cambodia
- (18) Christopher Ng, Regional Secretary, UNI – APRO, Singapore
- (19) Balan G. Nair, Regional Representative, IFBWW, Kuala Lumpur
- (20) Thomas Thomas, ICEM, Singapore
- (21) P. Arunasalam, Regional Representative, Intern. Metalworkers' Federation, Kuala Lumpur
- (22) Rustam Aksam, General Chairman, Federation of Indonesian Textile, Garment and Leather Workers' Union, Indonesia
- (23) Prof. Dr. Payaman Simanjuntak, Senior Advisor, Ministry of Manpower & Transmigration, Indonesia
- (24) Sjaiful D.P., General Chairman, Federation of Chemical, Energy, Mining & Gas Workers' Union, Indonesia
- (25) Katja Runst, Intern, FES-Singapore
- (26) Norbert von Hofmann, FES-Singapore

About Friedrich-Ebert-Stiftung

Established in 1925, Friedrich-Ebert-Stiftung is Germany's oldest political foundation. Named after the first democratically elected president, Friedrich Ebert, it carries on his legacy of the political development of freedom, solidarity and social justice.

Friedrich Ebert, a Social Democrat from a humble crafts background, had risen to hold the highest political office in his country despite considerable opposition from his political adversaries. He assumed the presidency in a land, which was crisis-ridden following its defeat in World War I. In response to his personal experience in political confrontation, he had proposed the establishment of a foundation to serve the following aims:

- Furthering political and social education of individuals from all walks of life in the spirit of democracy and pluralism;
- Facilitating access to university education and research for gifted young people by providing scholarships;
- Contributing to international understanding and co-operation wherever possible to avert a fresh outbreak of war and conflict

The Friedrich-Ebert-Stiftung, which was immediately banned by the National Socialist Regime in 1933 and not re-established until 1947, continues up to this day to pursue these aims. To achieve its objectives, the foundation has developed extensive programmes for political education, international co-operation, scholarship programmes and research both within Germany and abroad.

The Friedrich-Ebert-Stiftung acts as a German and European non-governmental organization and places special emphasis on the establishment of platforms and processes for political dialogue and co-operation between countries, political representatives, governments and civil society organizations. Approximately half of its annual budget of 100 million EURO (largely from public funds) is used for activities in international co-operation and development.

The Friedrich-Ebert-Stiftung maintains offices almost all over the world fostering projects in the field of political and social development as well as economic promotion and stimulating dialogue between all democratic forces to bring about a balance of interests. It organises national and regional conferences, workshops and seminars, conducts policy-oriented research and releases publications in close collaboration with parliaments and governments, civil society organizations and academic institutions, trade unions, business associations and the media.