

**Annex C – Trade Union Technical Advisory Council (COSATE)**

**XII Inter-American Conference of Ministers of Labour**  
**XII Conférence interaméricaine des ministres du Travail**  
**XII Conferencia Interamericana de Ministros de Trabajo**  
**XII Conferência Interamericana de Ministros do Trabalho**

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**"LABOUR DIMENSION OF THE SUMMIT OF THE AMERICAS"**

*Trade Union Technical Advisory Council (COSATE)  
Conference of Labour Ministers of the Americas  
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*This document represents of the consensus position of COSATE.*

Without question, the ability of an economic integration project to generate high levels of employment and decent jobs constitutes the litmus test of its success in the eyes of the labour movement.

1. What Sort of Integration Process?

But thinking about how labour concerns are addressed in the integration process begs the question of what sort of integration process we are talking about. For trade unions, this raises the main problem with the current FTAA initiative: the process is premised around a political and economic agenda that favours a certain view of the world i.e. to reduce of the role of government in economic affairs, and leave it to corporate actors to make the fundamental economic decisions.

Moreover, it creates an outward bias to the path to development. What drives it is no longer what is needed by people and entrepreneurs at home, but the demands of foreign markets and investors. As a result, it typically renders development at home more vulnerable to external, often speculative, shocks.

This is not to suggest 'external trade' is unimportant. Clearly it is an undeniable part of any development strategy. However, trade remains only a means to an end. As such, it has gotten far too much of our collective attention over the past several years. For us, the question should not be: how can we maximize foreign trade and investment flows, but rather what combination of domestic and multilateral policies is the most likely to lead to 'development' and full-employment?

Far too often, advocates of trade liberalization make it sound as if globalization is an unavoidable objective process. While it is true that certain advances in transportation and communication technologies have favoured the rapid spread of economic activities across the globe, most of what we call globalization has been the result of policy decisions. For instance, one has only to remember that it was a political decision that saw countries liberalize capital flows starting in the early 1980s, as well as to radically liberalise trade flows over the past 20 years. In theory, we still have choices as to what constitutes the appropriate level of engagement between the domestic and the international economy, as to what sort of multilateral economic framework we want to construct.

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What is most worrisome to the labour movement is that we are, through the negotiation of the FTAA and other like agreements, enshrining in binding international commitments an economic model that has for the most part failed working people.

At the most basic level, neoliberal policies have even failed to deliver economic growth. Indeed, the past twenty years have witnessed a general drop in the growth rates for most countries of the world. For instance, in Latin America, the rate of economic growth of the 1990s lags behind that of the 1950-80 period. Indeed, only three countries have exhibited better performances: Chile, Uruguay and Argentina....

These disappointing rates of growth have in turn had obvious effects on the job markets where the rates of employment growth have been generally disappointing, and unemployment and informal employment have increased. Not surprisingly, this has also impacted negatively on income inequality, a fact now widely acknowledged even by advocates of neoliberal policies such as the World Bank. Slow employment growth and more precarious jobs have naturally translated in a greater proportion of poor people. Today there are close to 200 million people who live on less than \$2 a day in Latin America. We should remind ourselves that all of this happened in a context of trade liberalisation, where the average tariff barrier in the region dropped from more than 40 percent to nearly 10 percent, and where both foreign investment and exports have increased dramatically.

The case of Mexico is particularly instructive here because that country has signed more trade agreements than any other country in the world, including among others, the NAFTA. Mexico illustrates that even when trade agreements are successful in increasing exports and foreign investment, they may not bring about domestic economic and social development.

Indeed, under the impetus of NAFTA, Mexican exports have almost doubled and the flow of foreign direct investment has almost tripled. However, this has had minimal impact on the overall economic growth rate and on the growth of employment. This is so because there is almost no linkage between the export sector and the rest of the Mexican economy, and because more jobs were displaced by imports and a weak domestic economy. For instance, the manufacturing sector which absorbs two-thirds of all foreign investment and accounts for 87 percent of Mexico's exports, employs less people today than it did in 1993.

Moreover, as these numbers imply, there was an enormous increase in productivity in the manufacturing sector. Since 1993, productivity has increased by some 45 percent; real wages however went down by 10 percent as workers proved unable to capture some of those gains. It should be stressed here that this de-linkage between productivity and wages is not a phenomenon of the 'South' but is also present in the 'North' as well.

Therein lies the problem with a predominantly export-oriented liberalisation strategy – weak linkages to the domestic economy because of low wages, low value-added activities and limited linkages to the domestic industry. To make things worse, this strategy is vulnerable to external shocks, and to competition from lower labour cost countries. Mexico is now discovering that low labour cost, privileged market access and geographic proximity are no guarantee as it sees labour-intensive jobs disappear to far away China.

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History has shown that no country has developed by simply bringing down trade barriers and letting the free market take care of the rest. In fact, quite the opposite. In the words of a leading development economist, Dani Rodrick of Harvard University, countries that have successfully developed have been typically

"free to do their own thing, and did so, combining trade reliance with unorthodox policies—export subsidies, domestic-content requirements, import-export linkages, patent and copyright infringements, restrictions on capital flows (including foreign direct investment), directed credit and so on— that are largely precluded by today's rules.<sup>1</sup>

Again, the economic integration project as it is embodied in the proposed FTAA is that they remove almost all of the tools and flexibilities available to a country to assume its development strategy to ensure full-employment. Thus under the proposed FTAA a country, among other things:

- loses the capacity to impose performance requirements on foreign investors to generate local jobs, use a minimal level of domestic inputs;
- loses the ability to discriminate in favour of small local businesses to spur regional development;
- loses control over the flow of speculative capital and makes itself more vulnerable to externally induced fluctuations;
- loses the ability to use government procurement to promote local development;

If we truly care about the labour and employment dimension of the current integration process, that concern needs to be reflected in the very core of the FTAA project itself, not only in parallel discussions as is the case right now.

Again 'development' not 'trade' should be the guiding principle, and we should examine what are some of the real obstacles to achieving full employment with decent jobs. We suggest this would lead us to recognize that the key multilateral challenges to further development in this hemisphere are not radical trade liberalization agreements, but rather:

- the key role of our respective state in devising development strategies and making room to accommodate this;
- the need to urgently address the debt situation of developing nations, and thus freeing up new resources to address the challenges;
- the need to find ways to stabilize financial markets to prevent the devastating financial crises that have devastated the hemisphere no less than three times in less than ten years.

Such as they are, these questions are far broader in scope than the 'labour dimension' as such. However, they needed to be stressed for they explain in large part why the vast majority of trade unionists in the Americas are unconvinced by the FTAA project and will go on opposing the integration process as it is currently proposed.

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<sup>1</sup> Dani Rodrick, *The Global Governance of Trade as if Development Really Mattered*, UNDP, October 2001, p.28.

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With respect to the substantive content of the FTAA, the Conference of Labour Ministers could play a very important role in the FTAA process if they were to insist that, at a minimum, a comprehensive assessment be performed on the likely impacts of the proposed agreements on labour and employment issues, and suggest policies and adjustment programs geared towards dealing the anticipated problems.

**2. The Labour Dimension**

Of course, there is also much to be done on the labour dimension proper. While the issue was not deemed important enough to warrant a negotiating group within the FTAA process, this should not stop us from being ambitious all the same. In this area, we are privileged in that we can learn from our experience with existing agreements and instruments.

If the integration process is to work and be credible to workers, specific and serious attention has to be dedicated to the enforcement of fundamental labour rights. First, because they are an essential part of the democratic community we want to build in the Americas. Secondly, because respect for those basic rights is essential to ensure that we do not take the 'low and self-defeating road' to economic development; and ensure instead that workers and their communities effectively share the benefits of trade liberalisation.

When we speak of basic workers' rights we refer specifically to those embodied in the ILO Declaration which are foundational to other labour rights. Just as the Summit of the Americas process is open only to democracies, respect for basic human and labour rights ought to be a condition of membership.

There has been much resistance to the idea of tying trade privileges to the effective respect of core labour rights. Instead it has been suggested that cooperation and moral suasion will be sufficient to ensure progress in the area. However, as we have seen in the case of the North American Agreement on Labour Cooperation, numerous complaints about violations, even of such basic rights as the freedom of to associate, have brought no remedy to the workers concerned, and little change to the enforcement of the law. Today the process is so discredited that it has become virtually ignored.

It should be clear here that the ultimate goal is not to tie trade and labour rights, but see to it that those rights are in effect enforced. Thus, for us the 'first best' scenario would be for the countries who are Parties to the FTAA to adhere to a form of Social Charter, which would define substantive human and labour rights, and build an independent Tribunal to adjudicate claims filed by the public. Such a solution would have a few undeniable advantages, one of which being that the initiative would belong to workers whose rights are violated and cannot find redress in their domestic court system. As such, the process would not be trade related, but would nonetheless offer a meaningful guarantee that, ultimately, rights would get enforced.

As you know, such an independent institution and the legal instruments to accomplish this work already exists in the form of the Inter-American Court of Human Rights, the American Declaration of the Rights and Duties of Man, the American Convention on Human Rights, and

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the Protocol of San Salvador. What is required is ratification by countries such as Canada and the United States, and the political will to give those instruments and institutions the authority and the resources they need to do the job properly.

Clearly a linkage between trade privileges and labour rights such as we find in the NAALC constitutes only a poor 'second best' option. Short of the 'first-best' solution, it would be necessary to ward off the worse potential excesses of trade liberalisation. As typically envisioned, this process would involve a complaint procedure, an independent review mechanism, a commitment from Parties to work to remedy the problem, the provision of technical assistance, and only after a demonstration that a "persistent pattern of non-enforcement" is going uncorrected, would the imposition of fines or trade penalties be allowed. Alternatively, one could envision an incentive mechanism where a good record with respect to the enforcement of basic labour standards might lead to faster reduction in tariff barriers.<sup>2</sup>

As mentioned above, mechanisms that currently exist under the NAALC fall quite short of what is required. First, they are not user-friendly for the very victim of labour rights abuse. Second, they involve no independent arbitral process (in the key early stages of processing a complaint) and thus leave the initiative to governments. Third, the review process is long and in all cases did not result in any remedy for the workers involved. Fourth, sanctions only apply to a subset of labour standards covered, and involve fines that are paid by a government... to itself.

More generally, it should be emphasized that the *sine qua non* condition for the success of this sort of 'labour clause' is the presence of meaningful resources for technical assistance to ensure appropriate monitoring and enforcement. The wealthiest countries of the hemisphere would thus have a moral responsibility to see that an adequate package of resources be attached to any labour cooperation agreements. A role for the Conference of Labour Ministers might precisely be to complete a needs assessment on this issue. Again, the spirit is not punitive, but the necessity to provide incentive to bring up the level of respect for core labour rights.

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<sup>2</sup> Sandra Polaski of the Carnegie Endowment for International Peace has proposed such an incentive system in a brief to the U.S. Government. See *Central America and the U.S. Face Challenge—and Chance for Historic Breakthrough—on Workers' Rights* at [www.ceip.org/trade](http://www.ceip.org/trade).

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Finally, it would be important that permanent hemispheric monitoring and advisory bodies be created to help make progress towards the achievement of high labour standards. The first task of a monitoring body would be to do periodic reviews to assess progress, provide technical expertise and monitor labour market trends. Clearly, such a body would work closely with the ILO and thus ensure growing coherence between regional and international instruments and processes.

One of the functions of such a body would be to ensure that the labour agenda does not fall off the table and keep everyone focused. As in the ILO, the governing body could have a tripartite structure to ensure that the said agenda and programs reflect the needs of all Parties involved and promote social dialogue. Here the experience of MERCOSUR labour institutions, despite their limitations, leads us to some optimism that tripartism can be made to work at the regional level.<sup>3</sup>

There are already institutions and instruments that can be put to use, new ones can be created. The real tests for the FTAA and the Summit of the Americas will be whether its framework leaves room for policy space to achieve development and full-employment in member countries, and whether they genuinely give, in the last analysis, labour concerns as much priority as the rest of the agenda.

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<sup>3</sup> See for instance Maria Carmen Ferreira, "The Social Dimension of Integration. The Mercosur Experience" in *Social dimension of globalization and integration processes*, Lima, International Labour Office, 2002. One should note however, that the assessment made by the unions involved is much more critical than that offered in that paper.