GLOBALISATION AND REGIONALISATION

Report on a meeting of trade union experts
held under the OECD Labour/Management Programme

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(Paris, 29th and 30th October 1990)

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Summary

Under the OECD Labour/Management Programme for 1990, a meeting of trade union experts on "globalisation and regionalisation" was held in Paris on 29th and 30th October 1990. The meeting was prepared in collaboration with the Trade Union Advisory Committee to the OECD (TUAC).

Economic globalisation is accompanied by accelerated movement towards the formation of regional economic groupings. While regionalisation, which is largely a private-sector-led process in Pacific Asia, more of a state-led process in Europe and a combination of both in North America, may contribute to global economic integration, it may also -- to the extent that countries and firms pursue regionalism as a defence against competitors from outside their region -- lead to increased economic barriers.

The meeting reviewed the dynamics of globalisation and regionalisation in terms of production, finance, technology and trade patterns as well as policy initiatives. It looked at the forces that drive and shape the processes of globalisation and regionalisation, their interaction, and their regional specificity and discussed likely trends into the 1990s and their policy implications.

Below is an overall report of the discussions of the meeting of experts, prepared by Mr. Stephan Haggard, Associate Professor of Government, Center for International Affairs, Harvard University (United States), who was designated as General Rapporteur for this activity.

A list of the participants in the meeting is given in annex.

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I. Introduction

In recent years there has been extensive debate about the forces for and against the globalisation and regionalisation of the world economy. Are globalisation and regionalisation competing or complementary tendencies? Is regionalisation supportive of continuing liberalisation of world trade and investment, or does it imply the emergence of more inward-looking blocs and greater conflict in the world political economy? Recent difficulties in concluding the Uruguay Round negotiations will make these discussions more pressing.

The Secretariat reports on current research at the meeting of trade union experts revealed that the OECD is already deeply engaged in these questions. The Development Centre has launched a three year research programme on the forces for and against regionalisation and globalisation of the world economy. The Development Co-operation Directorate is beginning work on the major developing countries in the world economy, and the Development Assistance Committee is scheduled to have a meeting on regional developments in 1992. The Trade Directorate has been engaged in studies of the possible effects of a successful conclusion of the Uruguay Round, as well as the role of regional blocs in furthering trade liberalisation. The Directorate for Science, Technology, and Industry has launched an initiative on the role of new technologies as a force for global integration, and the Directorate for Financial, Fiscal, and Enterprise Affairs has also done work on the effects of regional arrangements on international investment.

The discussion of current work revealed, however, that with several important exceptions, the implication of alternative scenarios in the world economy for labour has not received sustained research attention. Labour market adjustment is central to the work of the Directorate for Social Affairs, Manpower and Education, but this research is not necessarily linked to developments in the international economy. The only other initiative dealing directly with labour was Trade Directorate research on the effects of liberalisation on employment and on the possible inclusion of a "social clause" in the GATT.

The premise of this meeting of trade union experts was the need to place labour issues in the context of changes in the world economy, and to link traditional discussions of trade, investment and economic policy interdependence more closely to labour concerns. Any discussion of globalisation and regionalisation needed to incorporate the social dimension of the process. As one trade union expert pointed out, interest in this subject was not due simply to the question of labour market adjustment as traditionally understood, but also to the prospects for greater "economic democracy".
The discussion was organised around three main themes. The first, and most extensive, was an effort to identify the forces for and against globalisation and regionalisation in the world economy and to discuss possible labour responses to these processes. The second theme concerned the effects of international competition on the demand for particular types of skills, and how government policy should assist in the labour market adjustment process. The final topic of discussion concerned the question of how to develop social and labour standards at the international and regional level.

II. Globalisation, regionalisation, and labour’s response

The discussion revealed that there was substantial ambiguity about the meaning of the terms "globalisation" and "regionalisation." At least three aspects of "globalisation" were noted. In the first instance, globalisation refers to the continuing liberalisation of the world trading system. An open trade and investment system and the relatively rapid diffusion of technology has deepened intra-industry trade among the advanced industrial states and expanded inter-industry trade between OECD countries and the newly industrialising countries. The ongoing process of liberalisation has expanded the geographic scope of the trading system, the range of products entering international trade, and the openness of national economies. The adjustment problems for labour that have resulted from these changes in the trading system are well-known, and have been the subject of several OECD studies.

Several trade union experts pointed out that macroeconomic policy and the increasing integration of financial markets must be considered a second component of the process of globalisation. Increasing financial market integration has reduced the ability of governments to pursue independent monetary policies, and has affected fiscal policy on both the spending and taxing sides of the ledger. Floating exchange rates were expected to provide national governments some insulation to pursue independent policies, but this development simply shifted the real transmission mechanism from monetary to exchange rate policy. Exchange rate policy has had major implications for the sectoral distribution of economic activity, particularly between the traded and non-traded goods sectors.

Third, the term "globalisation" was used to refer to the increasing tendency of nationally-based firms to manage their operations on an integrated basis world-wide. The multinational corporation is not a new entity, but continuing declines in the cost of transportation, the increasing sophistication of communications, the internationalisation of financial markets, and expanded opportunities for investment in services have all accelerated the trend toward truly global corporate strategies. Differences in unit labour costs have been an important motivation for international investment in the past, but the decline of labour in total costs and the rising costs of developing new products and technologies have somewhat changed the international investment calculus. Firms are under strong pressure to expand market share. These pressures have contributed to international mergers and inter-corporate alliances aimed at reducing the costs of research and development and easing market entry.

Corporate globalisation has also been driven by national policies. Protectionism can encourage foreign direct investment and deregulation has contributed to increased international merger activity in a number of
countries. Corporate globalisation may also be a response to new opportunities created by regional integration efforts; this was true of the first post-war wave of American investment in Europe that followed the formation of the EEC.

Concurrent with these three processes of globalisation, there have also been tendencies in the world economy toward regionalisation. The discussion revealed that there were ambiguities in the meaning of this term as well. On the one hand, regionalisation might be considered primarily an economic phenomenon, resulting from the force of geographic proximity and the influence exerted by the three major economic powers -- Germany, Japan, and the United States -- on their neighbours.

Yet regionalisation is also propelled forward by policy choices and co-operative efforts. Such regional integration efforts are typically torn between two conflicting imperatives. On the one hand, they are characterised by efforts to liberalise barriers to the movement of goods, factors, investment, and labour and to create a more integrated regional market.

A major point of contention is whether regional integration efforts imply a more restrictive stance toward extra-regional trade and investment. Some contend that regionalisation provides opportunities for advancing the goal of global liberalisation. On the other hand, regional arrangements might generate restrictive policies either as a result of protectionist pressures within the regional grouping from firms and workers, or as a result of "strategic" trade policy initiatives designed to extract concessions from trading partners. It was felt that governments used membership in regional groupings for several purposes simultaneously: for opening their own national economies to progressively wider competition; for using collective strength to negotiate with trading partners outside the region; and as a "safe haven" in an uncertain global economy.

It was emphasized throughout the meeting by the trade union representatives that regionalisation should not simply be viewed as a vehicle for liberalisation. Rather, regional integration also implies the forging of a supranational social consensus, the harmonization of macroeconomic and social policies, and the development of new instruments of intervention at the regional level. These policies naturally imply the development of regional decision-making institutions, and raise important questions about how labour interests will be represented; this issue is taken up again below in the summary of the discussion on the harmonization of social policies.

The varieties of "regionalisation" became clear when different geographic experiences were considered. The questions concerning the forging of a social consensus are posed most clearly in Europe, where the drive toward regional integration is farthest advanced. Europe 1992 (and the European Economic Space with EFTA) has largely been an initiative of governments and the European Commission itself. A recurrent theme in the meeting was that regionalisation in Europe was in part a response to the disruptive effects of globalisation traced above. In recent years, the private sector has been an active force for strengthened regional co-operation, both as a means of buttressing its competitive position in the context of increased globalisation and to offset the shift in the centre of global economic activity toward the Pacific region. Labour has only recently recognised its stake in the debate over Europe 1992, particularly in defining the social dimension of the community.
In the Western hemisphere, government initiatives include the United States-Canada free trade agreement and the opening of discussions between the United States and Mexico that could lead to a North American Common Market. These developments are not as advanced or institutionalised as those in Europe, and as the names of the initiatives suggest, they have focused primarily on liberalisation. The initiatives reflect deepening integration at the corporate level, increasingly close trade relations, and particularly in the case of the highly porous United States-Mexican border, the creation of an increasingly integrated labour market. More surprising have been recent developments in South America. Spurred by the debt crisis and the need to expand exports, a number of major countries, including Brazil, Argentina, and Chile, are rethinking long-standing industrial strategies of import-substitution. The June 1990 American proposal for a hemispheric trade organisation was met with greater interest than anticipated.

One trade union representative pointed out that the emergence of regional arrangements in Europe and North America is in part a response to the growing strength of the East Asian economies. This logic might also be reversed: regional integration efforts in Europe and the Western hemisphere have been partly matched in East Asia by new efforts at regional co-operation. The precise political and economic boundaries of the "East Asian" or "Pacific" region are not easily delineated, however. Institutional arrangements in the Pacific are substantially less developed than those in Europe or the Western hemisphere, in part because of political difficulties in defining the basis for membership in any regional organisation, in part because of fears on the part of smaller countries that Japan or the United States would dominate any organisation that did emerge. The economic boundaries of the "East Asian" region are equally indistinct. For example, the West Coast of the United States must certainly be counted as part of the Pacific region given its extensive trade and investment ties with East Asia. This would call into doubt the idea that an exclusive, Japan-centred bloc is emerging in the region.

Nonetheless, a distinctive system of regional economic organisation has emerged in the Pacific Basin. At the political level, this system includes a network of universal regional organisations, such as the Asian Development Bank and informal consultative organisations that span government and the private sector. It was noted that the social dimension of the regional system was weak, and that labour had not been well organised on a regional basis.

At the economic level, the foundation of regional growth has been the adoption of export-oriented growth strategies. These strategies relied initially on substantial advantages in unit labour costs, but over time came to rest on skilled labour and technological adaptation and innovation. In all cases, export-led growth has depended heavily on the US market. Inter-regional trade among Asian countries is also increasing, but a more important component of the regional system is the dramatic expansion of Japanese foreign investment after 1985. The motivations for Japanese foreign investment are diverse, and include efforts to circumvent trade restrictions. It is clear that low-cost labour remains an important motivation across a range of industries, however, particularly within the Asian region.

These processes of globalisation and regionalisation are relatively familiar; the implications of these processes for labour remain controversial and were the subject of substantial discussion at the meeting of experts. Economic liberals ("conservatives" in the United States), argue that
globalisation enhances welfare in the long run, as does regionalisation if it is "outward-looking" and not protectionist. Some of these same voices have also argued that the pressures coming from new entrants into the trading system, particularly from East Asia, demand a rethinking of existing social and labour market policies and systems of industrial relations. Competitive pressures demand, among other things: an elimination of detailed work rules that reduce the flexibility of production at the shop floor; a reduction in "excessive" wages and benefits; scaling back those components of the social safety net, particularly unemployment benefits, that act as a disincentive to work and a block to more flexible labour markets; and greater government emphasis on increasing savings and profitability.

Labour representatives were sceptical of these claims. For workers to "adjust" to exports from low-wage countries could mean stagnant income growth, downward mobility, greater income inequality, and a shrinking middle class. The hypothesis that competitive problems and continuing unemployment are the result of "excessive" real wages seems increasingly suspect. Job growth in the United States has been much more robust than in Europe, but real wages in manufacturing have also been stagnant for a decade.

Nonetheless, there was substantial ambivalence about what labour’s stance toward increasing liberalisation of markets should be. On what basis would labour support continuing liberalisation of trade, financial flows and investment, either at the global or regional level? The answer to this question depended heavily on the speed with which adjustments were undertaken, and the extent to which those adjustments were left purely to market forces.

On the one hand, most labour representatives recognised the aggregate gains from maintaining an open trading system and saw the risks in protectionism. Any assessment of the effects of international trade must weigh the net gains in income and employment that come from expanded exports and reduced import prices. These benefits are frequently overlooked, but were emphasized by labour representatives from smaller and trade-dependent countries. It was also recognised that the growth of exports from the developing countries resulted in expanded employment and rising real incomes for workers in those countries, even though those benefits were sometimes called into question by the competing concern to keep wages low in order to maintain competitiveness.

On the other hand, it is undeniable that the entry of Japan, the East Asian newly industrialising economies, and now the "second tier" of South-East Asian countries into international trade has created well-known adjustment problems for labour. A number of representatives noted that it might be appropriate to consider some limits or "boundary conditions" on the extent of North-South trade. One way of achieving this might be through a somewhat more inward-looking regionalism. Relatively high-wage areas, such as Europe, would legitimately protect themselves to some extent from trade in manufactures from low-wage areas.

Some representatives accepted that some "management" of trade might be desirable. In fact, a system of managed trade already existed in a number of sectors and with reference to a number of developing countries, and it had not proved disastrous.
Finally, several experts noted that despite wage gains for labour in the developing countries, a number of other indicators, including industrial accidents and expenditures on health and welfare, suggested that labour in the developing countries still had a long way to go. Moreover, many developing country labour movements are actively repressed or subject to substantial limits on their freedom of manoeuvre. It was considered legitimate to raise these issues in international trade discussions, and even to consider sanctions against trading partners that were consistent violators of internationally accepted standards; these issues are taken up again below.

Similar types of concerns were also expressed about the effects of increased financial and macroeconomic interdependence on labour. Such interdependence limits the ability of governments to maintain commitments to full employment policies. One labour representative noted that short-term speculative capital movements could have a destabilizing effect on government policies, even though they did not reflect underlying economic fundamentals. Several representatives voiced concern about the declining ability of governments to sustain the "Keynesian bargain" that characterised the political economy of most advanced industrial states in the postwar period. They argued that this might justify some limits on capital mobility.

The effects of corporate globalisation on labour were also a recurrent theme of discussion. To the extent that globalisation was motivated by an effort to reduce labour costs, and to the extent that it increased trade from low-wage regions, as it clearly has in East Asia and along the US-Mexican border, then globalisation compounds the adjustment problems associated with international trade. There are also questions concerning the more direct effects of such investment, and whether it competes with, or is complementary to, employment creation in the investing country. There has been a long-standing debate in the United States over the employment effects of such "offshore" investment. Arguments have been advanced to eliminate tax and tariff incentives to foreign investment in order to discourage "runaway shops" and to encourage greater investment at home.

A second question concerning the globalisation of firm strategy is the effect of international corporate mobility on national standards and taxation. One trade union expert noted that capital mobility provided new opportunities for multinationals to pressure governments to lower taxes in order to attract investment. Thus, for example, US tax rates set de facto limits on the ability of the Canadian government to tax both corporate and personal income. Capital mobility could also lead to competition to adjust national standards downward, including those pertaining to labour.

To the extent that regionalisation focuses primarily on the process of economic liberalisation, it raises concerns similar to those voiced about the processes of globalisation. In Europe, the push toward 1992 will allow the Southern European countries to benefit from a greater exploitation of their comparative advantage in labour-intensive exports and from new scale economies. The countries of Northern Europe might gain from scale economies as well, but these have already been exploited to a much greater extent. Northern countries have an advantage in skill-intensive products, but the market in the Southern countries for these goods is relatively small. It was recognised that Europe 1992 will create new adjustment problems in labour-intensive manufactures, which will be compounded by the difficulties of absorbing both labour and exports from the low-wage Eastern European countries. These same points
concerning European integration can be rehearsed with reference to corporate regionalisation, since the current trend toward regional mergers will be associated with increased intra-firm trade.

The potential problems with regionalisation are posed even more starkly in the Western Hemisphere, since regional agreements there would link developed and developing countries, high-wage and low-wage areas. Initially, it was believed that the creation of a free trade area between the United States and Mexico might slow migration from Mexico. Now that Mexico is liberalising its domestic market, it is clear that a free trade area may not significantly slow immigration, but could dramatically expand exports, in part as a result of increased foreign investment in the border regions.

Already, questions have been raised about the adjustment costs of this type of regional integration. One trade union representative underlined that regional integration between advanced and developing countries, particularly of the sort seen along the US-Mexican border, had important disadvantages for labour that should not be overlooked. These included poor working conditions for labour on the "Southern" side and strong downward pressure on wages and benefits on the "Northern" side. Another representative stressed labour’s "natural scepticism" toward a North American Free Trade Area.

To date, Japanese labour has largely avoided the adjustment problems associated with both globalisation and regionalisation, in part because of the internationally competitive nature of Japanese industry. Trade policy might also have played some role in this regard. There was some disagreement about the extent to which Japan was willing or able to expand its imports of manufactures from developing countries. Some held that the appreciation of the yen had resulted in a substantial increase in imports from the NICs and South-East Asia, which had generated adjustment problems similar to those in the other advanced industrial states. As Japan faces increasing international and domestic pressures to liberalise, these adjustment problems will multiply. Others noted that Japan’s absorption of total LDC exports remained relatively constant over time, with the effect that the adjustment problems associated with the rise of the NICs had been borne more heavily by the US and Europe.

Japan has faced adjustment problems associated with outward foreign investment, however. For example, as the large Japanese automakers invest in plant in the United States, it has created some adjustment problems for their smaller and less internationalised suppliers. Japanese unions have begun to demand more information from employers on the nature and impact of offshore investments.

III. International competition, labour market adjustment, and the upgrading of the labour force

Despite the concerns expressed about the costs of too rapid liberalisation, the trade union representatives seemed to agree that the interdependence of the world economy was likely to deepen. This put a premium on more active strategies of adjustment. Such strategies have long been in evidence in the smaller European countries for which protectionism is not a viable option and in which close relations among business, labour, and government constitute a long-standing tradition. These strategies are broadly "liberal" in that they emphasize the imperative of domestic and international
competition for innovation and long-run income growth. Yet they recognise that maintaining liberal trade demands extensive government intervention in labour markets.

Traditionally, the arguments for intervention in labour markets and the provision of adjustment assistance have been made in one of two ways. First, adjustment assistance is considered necessary to maintain the political consensus for open markets. Without adjustment assistance and a social welfare net, labour becomes protectionist. Second, adjustment assistance is defended on equity and fairness grounds; if society as a whole benefits from free trade, it is reasonable to expect that the social costs of adjustment are not borne by workers alone, but shared.

The debate about globalisation and the changing nature of international competition has now generated new strands of thinking about the role of government in labour markets. Across a range of sectors, the basis of comparative advantage is changing. Competitiveness is increasingly anchored in static factor endowments. Rather, national competitiveness is increasingly a function of technological capabilities. These, in turn, depend not only on capital but on education, human skills and the quality of the workforce.

Skills are important not only for the scientific, engineering, and managerial elite, but at all levels of the workforce. It is now recognised, for example, that Japan and the East Asian newly industrialising economies did not succeed on the basis of low wages alone. A number of trade union experts noted that many developing countries have low wages, but that these low wages reflect low productivity. The East Asian countries succeeded because of a highly educated and well-trained workforce that was an important source of innovation and rapid productivity gains.

If the skill base has become a critical component of comparative advantage, the implications for labour market policy are profound. Greater emphasis will have to be placed on active manpower policies designed to strengthen skills, training, and education, and to overcome the skills mismatch which characterises many labour markets. Education and vocational training and the upgrading of the workforce must be seen as a type of national investment. This shift in the terms of the debate has already occurred in Europe, and is increasingly evident in the United States, where declining competitiveness and the quality of the educational system are increasingly linked. Japan is also experiencing shortages in certain categories of skilled workers. It is increasingly recognised that unemployed workers are likely to lack the resources to invest in their own training. In general, companies may not have the incentive to do so because the newly trained worker is mobile. As a result, the government will have an important role in assisting both business and labour in overcoming collective action problems of this sort.

There was a widespread interest on the part of trade union representatives in research on the nature of national training and retraining programmes, and the type of programmes that had proved most successful. For example, was enterprise-based training adequate, or were government training institutes more effective? This was clearly a topic that could sustain more extended discussion and research.
A number of trade union representatives expressed some scepticism about a political strategy for labour that emphasized upgrading skills alone. First, the emphasis on skills could not wholly replace traditional schemes of unemployment compensation, investment in social and physical infrastructure, regional policy, and overall employment and job creation. The macroeconomic and social dimensions of the labour market could not be solved solely through an emphasis on the microeconomic dimensions of the problem. Second, it was noted that the attractiveness of this strategy of adjustment will depend heavily on the equality of the wage structure across sectors. Training must hold forth the promise of delivering high-paying jobs; otherwise “adjustment” will simply mean movement out of high-wage employment into low-wage employment. Finally, several trade union representatives raised the issue of the principle of international solidarity. The strategy of upgrading skills for the purpose of improving competitiveness ran the risk of pitting the interests of workers in one country against those in another.

IV. Globalisation, regional arrangements, and the convergence of labour and social practices

Labour movements in the advanced industrial states face a fundamental asymmetry that tends to weaken their bargaining power in the face of internationally integrated markets. Capital and goods are more mobile than labour, and where labour is mobile, it moves from low-wage to higher-wage areas, creating additional adjustment problems. Globalisation and regionalisation thus raise basic questions about the institutional, legal and normative arrangements governing international trade and investment. Throughout the meeting, the discussion returned to the fact that national labour movements could not address the problems they faced independently, and that labour issues needed to be addressed through international mechanisms.

Three areas were the subject of discussion: the relationship between labour rights and international trade; the rules governing the activities of multinational corporations; and the role of regional institutions in easing adjustments caused by the liberalisation of markets.

For at least a century, human rights advocates have sought to create effective international mechanisms to protect labour rights. Nonetheless countries continue to violate or tolerate the violation of basic labour rights. Moreover, some advanced industrial states have still not signed basic ILO labour codes. One issue that recurred in the discussions was the use of trade as a lever for alleviating labour rights abuses. Article XX of the GATT permits countries to place restrictions on products produced by prison labour, but in general the GATT has failed to develop any significant policy on the treatment of labour, although this was envisaged in the unratified Havana charter of the international trade organisation.

Recently, the United States Congress has sought to insert worker rights provisions in trade legislation and the American Government has proposed in the GATT a study of the possible relationship between internationally recognised labour standards and international trade. Calls for a "social clause" in the GATT have been heard from trade unionists in Europe as well, and have been under discussion in Geneva. These provisions draw on five International Labour Organisation conventions that establish:
1. the right of association;
2. the right to organise and bargain collectively;
3. the right to avoid forced or compulsory labour;
4. the right for children under fourteen years of age to avoid industrial employment;
5. the right to a minimum wage and maximum work week.

Though the discussion of the "social clause" in the GATT is at a preliminary stage, violations of these rights might constitute an unfair trade practice against which countervailing action might be taken. Several trade union representatives noted that such minimal standards might also be invoked in making decisions concerning multilateral and bilateral assistance, the Generalised System of Preferences, or in International Monetary Fund programmes.

Such legislation is controversial. On the one hand, it might run counter to multilateralism and non-discrimination in international trade. These norms have been highly beneficial for the growth of international commerce, and have contributed to rising incomes for workers in the developing world. Several trade union representatives also acknowledged developing country concerns that such standards would simply be abused as another means to introduce protectionism unless they were properly monitored under strict international rules.

Nonetheless, there was widespread support among the trade union representatives for movement toward the development of such international standards. Such standards would provide a powerful instrument of international public opinion and would guarantee that international commerce does not rest on abusive practices. Moreover, it was noted that the standards being considered were quite minimal in nature, and that adequate institutional mechanisms to guarantee transparency and compliance could be developed.

A second major area concerns the elaboration and enforcement of codes of conduct and guidelines for multinational corporations. The very mobility of the multinational enterprise makes it extremely difficult to regulate, while industrial relations practices are based on national laws and traditions. The range of relevant issues includes anti-union practices, insuring adequate channels for consultation given the multinational nature of the firm, appropriate investment in worker training, and "good citizenship" at the local level. To date, a number of governments have denied that binding international rules are required in these areas. Even were binding rules fully accepted, questions remain about the appropriate fora for enforcing these standards and bringing complaints. A number of trade union experts noted that governments had agreed to the elaboration of the OECD codes and to tripartite agreement on the ILO declaration, but that follow-up and enforcement had been blocked by objections from firms and acquiescence by governments.

A recurrent theme in the discussion was the asymmetry of information between management and labour regarding the nature of foreign direct investment plans. For labour to make informed judgements concerning the effects of foreign direct investment, greater information was required. Only on the basis
of such information was it possible to move toward consultation and bargaining rights concerning foreign investment and divestment, group-wide restructuring of multinationals, and the behaviour of subsidiaries. Several trade union representatives outlined national experiences in attempting to move toward greater consultation in this area, and there were some interesting examples of multinationals’ willingness to consider structures to achieve this objective. It was noted that the weakness of labour organisation in many developing host countries, and these countries’ strong interest in securing such investment, posed problems for labour movements in the OECD countries.

Throughout the discussion, European trade union representatives raised the importance of a third form of international regulation: regulation through regional institutions. As noted above, a major component of regional co-operative agreements is further liberalisation of economic relations: the removal of barriers to the movement of goods, factors of production, and labour. Yet the institutional framework of regional agreements potentially goes far beyond liberalisation to encompass the harmonization of policies, the development of new consultative mechanisms and even supra-national political structures.

To date, these questions have only been raised in the European context, where there has been substantial debate about the Social Action Programme; regional institutional structures are weaker or altogether absent in North America and the Pacific region. The range of questions here was quite broad, and could only be touched in passing. To what extent do differences in systems of industrial relations within the region disadvantage the workers and firms of one country in competition with another? Will regionalisation demand a harmonization of policies relating to labour and industrial relations, and if so, what will the legal basis of such harmonization be? What role can Community structures play in the process of adjusting to international competitive pressures, for example through regional and industrial policies?

The emergence of strong regional institutions naturally raises important organisational questions for national labour movements. At several points in the discussion, it was noted that labour needed to "go international." At the present, regional labour organisations were weak, essentially consisting of a secretariat of national unions. Several participants raised questions about whether and how the regional labour organisations might be strengthened, perhaps even as a step toward regional collective bargaining.

Others expressed scepticism on this score, noting that the tendency in bargaining was in the opposite direction, toward decentralised units. As one trade union expert noted, "we bargain wherever we can find someone to bargain with," suggesting that the problem was not only the absence of regional union structures, but of parallel employer organisations that had real influence. Nor had much progress been made in company-side negotiations that spanned several countries.

A more promising avenue for labour influence might be through the existing regional organisations themselves. There was some discussion of the consultative mechanisms that might be available for national trade union movements to express their views at the community level. These questions are clearly most pertinent to Europe 1992, but they will become increasingly important in North America, and perhaps even East Asia, when and if they move toward more formal regional arrangements.
V. Conclusion

The agenda of the meeting covered a wide array of topics, and it was therefore difficult to arrive at any sharply drawn conclusions. The exact role that the government should play in advancing or slowing the processes of regionalisation and globalisation remains uncertain and the subject of substantial national debate. One view was underlined consistently throughout the discussion by the experts, however. Regionalisation and globalisation by no means diminish the critical role of government in the adjustment process, and in many ways they may enhance it. The increasing integration of markets creates the demand for new social consensus, both within and across nations, particularly in the context of democratic governance.

In this respect, the OECD might play an important role in advancing discussion on these issues. Given its multidisciplinary approach to policy, as well as its multilateral structure, the OECD is well situated to analyse labour and social issues in the globalisation process.

The experts suggested a number of areas in which further research and discussion were warranted. These included:

1. the effects of trade liberalisation, foreign direct investment, and regional initiatives on both aggregate employment and its sectoral composition, and trends in worker compensation;

2. the impact of globalisation and regional economic integration on institutional developments in industrial relations across countries;

3. the extent to which the organisation and deployment of the national labour force has become a strategic investment for competitive advantage in the process of increasingly global competition, and the experiences with training and re-training programmes designed to achieve competitive objectives;

4. follow-up on the enforcement of existing international norms of relevance to labour, including the codes of conduct on multinational corporations and the ILO Conventions, by making rights to market access and investment treatment conditional upon request for such labour norms;

5. the extent to which international governmental organisations can develop social "rules of the game" for the new international competition that would be accepted widely;

6. the institutional means for consulting public opinion at the regional level;

7. new roles for TUAC itself in advancing this agenda both within and outside the boundaries of the OECD.
ANNEX

LIST OF PARTICIPANTS

Trade Union Experts

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Yasunori• Policy Department
•• Japanese Trade Union Confederation
•• (JTUC-RENGO)

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LHNER••  Deputy to the Head of Division
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••

END-OF-TEXT