

## **Reflection No. 4:**

### **The world of work in the context of economic integration and trade liberalization: From the vantage point of the Americas** **Presentation by Daniel Martínez<sup>1</sup>**

*17 November 2004*

- I. Mr. Martínez began by describing eleven main areas of consensus in relation to integration in the Americas:
  1. There is a consensus that integration is an appropriate vehicle for bringing about the countries' development, notwithstanding the fact that the progress made is neither sufficient nor is it uniform.
  2. Everyone basically agrees on the fundamental principles and rights at work spelled out in the corresponding ILO 1998 Declaration on Fundamental Principles and Rights at Work and its Follow-up that States are committed to respect within the framework of integration and free trade agreements.
  3. Each country should develop its own legislation in accordance with its sovereign decisions and its own requirements and domestic capabilities.
  4. The International Labour Organization is the competent body to deal with internationally recognized labour standards.
  5. Economic growth and development spurred by increased trade and greater trade liberalization will help promote the adoption and observance of international standards on fundamental rights at work.
  6. Labour standards should not be used for protectionist purposes and the comparative advantage of countries with low wages associated to low productivity levels is not open to question.
  7. The benefits of economic growth, even during the boom of the past decade, have not yet been fully expressed in terms of social progress.
  8. The constitutive elements of decent work should be promoted in an effort to attain freedom, equity, security and full human dignity.

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9. There is a noticeable degree of agreement on striving to make decisions on labour issues more transparent for society.
  10. There is consensus on the idea of inter-ministerial cooperation.
  11. There appears to be a degree of consensus in many countries on the idea of institutionalizing social dialogue.
- II. He followed this with a presentation of some of the central labour aspects of the new generation of free trade agreements (FTAs) (e.g. Canada-Chile, Canada-Costa Rica, US-Chile, US-Central America).
1. Labour issues are part of the general trade agreement itself.
  2. The FTAs include provisions on fundamental rights and workplace health and safety.
  3. They provide for dispute resolution on labour matters.
  4. They include a Labour Cooperation Fund.
  5. If a country is judged to be in violation, a monetary penalty is levied that is paid into the Fund. If payment is not made, the country in violation may find its trade benefits suspended up to an equivalent monetary amount.
- III. Mr. Martínez then asked whether the Americas had made more, similar, or less progress relative to other parts of the world on the social and labour dimensions of integration. He noted that the European Union was much more advanced than any other region in the world on this score. By contrast, the social dimension in African and Central American integration is limited and in Asia, almost insignificant.
- IV. He continued by considering what, if any, has been the mutual impact between labour standards and trade.
- A. There is no indication that trade negatively affects the level of application of labour standards; in fact the opposite occurs both in developing and developed countries.
  - B. There are three different analytical positions with respect to the effect of labour standards on trade and economic growth:
    1. Labour standards introduce rigidities into the labour market.
    2. Labour standards do not negatively affect wages or the level of employment.
    3. Labour standards and the respect for fundamental rights are necessary but in some countries this will result in increased labour costs for employers which will become unaffordable, leading to a more segmented labour market and to informal work.

From all the studies on this matter it is impossible to establish a net cost of labour standards and fundamental rights. This depends on the given economic, political and institutional circumstances. Additionally, several studies demonstrate that fundamental rights appear for the most part to have a positive economic effect.

V. Lastly, Mr. Martínez concluded by highlighting some of the outstanding issues:

1. What shape will a regional agreement of the Americas take?
2. Much remains to be discussed about whether a labour dimension should be built into the hemispheric agreement and, if so, the character of a possible regulatory labour instrument.
3. What would the supervisory and follow-up mechanisms look like?
4. How can the appropriate application of labour standards that are considered in the respective agreements be assured?
5. How can the region cope with China's low labour costs, frequently low levels of worker protection, and their negative impact on Latin American and, to a lesser extent, Caribbean trade and employment?
6. Although the need for consultation and participation mechanisms for civil society, (particularly trade union and employers' organizations), is generally acknowledged, doubts continue to exist over what mechanism(s) should be used in the hemisphere.
7. There are other labour matters that could be treated within the integration arena such as minimum working conditions, avoiding sex-generated wage discrimination, preventing occupational injuries and diseases, employment accident benefits, protection of migrant workers and in the collective sphere, the right to strike.
8. How can the benefits of economic integration and of free trade be made to reach the people, particularly the poorest sectors of the population (which is linked to how these processes can enjoy more support and social legitimacy)?

### ***Commentary***

**Mariluz Vega Ruiz** referred to the ILO's role as a starting point for further reflection on work in relation to the integration of economic and social issues. After recalling work done in the 1990s on strengthening employers' and workers' organizations in regional integration processes, she mentioned the technical cooperation project launched in 1999 to accompany the Conferences of Ministers of the Labour of the Americas (studies, meetings, etc.) which created space for an ILO presence.

For the future, she saw the ILO Declaration on Fundamental Principles and Rights at Work as continuing to be a central focal point of work in this area, but with increased emphasis on

implementation and strengthening of institutions. In terms of trade agreements, the velocity of developments was supersonic, with the ILO not always being aware of latest developments. However, these processes opened up new avenues for ILO participation with a view to promoting a fairer globalization. She noted the usefulness of sharing information between regions in the developing world, since the EC was far from their daily realities.

### ***Discussion***

**Azita Berar Awad** asked for clarification in relation to enforcement mechanisms under various trade agreements. Daniel Martínez clarified the difference between having a side agreement, as in the NAFTA situation, and inclusion within the trade dispute resolution mechanisms of the trade agreement itself. It is not yet clear what the experience under the latter will tell, since the oldest such agreement, between the US and Chile, is only a year old. He referred to institutional weaknesses and a cultural tendency to avoid what were seen as costs of applying the law (especially for social protection contributions) as factors in the usefulness of such arrangements.

**Alvaro Ramírez** described how the ILO had been able to contribute to strengthening coordination among employer organizations in connection with the negotiations of CAFTA in Central America. He felt that there are many types of assistance that the ILO can offer but that are not well known, such as strengthening business skills, etc. He noted that FTAA/ALCA was moving bilaterally from North to South, at a rapid pace.

**Daniel Martínez** noted that the ILO needed to be clear about the type of help it can and should provide. For instance, setting up an inspectorate parallel to public institutions would not be appropriate. He noted that for the FTAA, the tough issues were intellectual property, patents, environmental and labour issues. ILO support should help countries develop their long term productive strategies, of which trade deals are one aspect. He noted that there was also an important South to North movement.

**Gerry Rodgers** pointed out that trade agreements and regional integration are two very distinct phenomena, and confusion between them did not permit identification of appropriate ILO roles.

The chair called attention to the availability of the background document prepared by Daniel Martínez, which was to be published shortly by the ILO Turin Centre (in Spanish) and INTEGRATION (in English).

### ***Staff in Attendance :***

Maria Anzorreguy	NORMES
Christoph Becler	RELCONF
Patrick Belser	DECLARATION
Azita Berar-Awad	INTEGRATION
Janine Berg	EMP/STRAT
Christoph Ernst	EMP/STRAT
Chris Land-Kaslauskas	ED/DIALOGUE
Yujun Lao	EXREL

Eric Maertens	ED/REGIONS
Georges Minet	IFP/DIALOGUE
Peter Poschen	INTEGRATION
Alvaro Ramírez	ACTEMP
John Ritchotte	DECLARATION
René Robert	INTEGRATION
Gerry Rodgers	INTEGRATION
Marlene Rueda-Catry	IFP/DIALOGUE
Anne Trebilcock	INTEGRATION
Maria-Luz Vega	DECLARATION
Linda Wirth	GENDER

Note prepared by René Robert, 18 November 2004