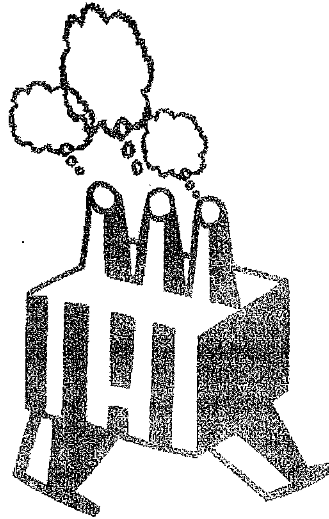
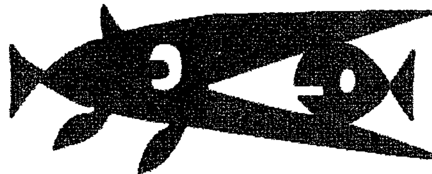


Advisory Committee
on Social Witness Policy

THE EMPLOYMENT EFFECTS OF FREE TRADE AND GLOBALIZATION

by The International Labor Rights Fund



THE EMPLOYMENT EFFECTS OF FREE TRADE AND GLOBALIZATION

A study paper prepared by the International Labor Rights Fund

for the Advisory Committee on Social Witness Policy

of the Presbyterian Church (U.S.A.)

Advisory Committee on Social Witness Policy

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An Invitation to Study . . .

The last few years have seen a rapid change in the way we understand and live in our world. The process of "globalization" puts a label on that new way of understanding our life and our planet. Yet just what "globalization" is and means—whether it is full of opportunity or peril—remains to be discerned in both the short and long term. The Presbyterian Church (U.S.A.) acknowledges it has a responsibility to be part of that discernment process.

With the adoption in 1996 of *Hope for a Global Future: Toward Just and Sustainable Human Development* by the 208th General Assembly, the Presbyterian Church (U.S.A.)'s Advisory Committee on Social Witness Policy (ACSWP) was directed

> to monitor the implementation and consequences of the recent international agreements and mechanisms for expanding world trade—such as NAFTA, GATT, WTO with special concern for the effects of trade on the poor, the natural environment, local communities, and the distribution of power among the actors in economic development. The ACSWP shall report periodically to the General Assembly and its relevant agencies on its findings and their implications for the further development of policy on international trade and the church's advocacy on trade issues in the public arena. (*Minutes*, 208th General Assembly (1996), p. 114, 542)

The ACSWP, aware of the rapidly changing dynamics involved in world trade issues, discussed how to critically analyze the interrelating and interconnecting concerns of world trade issues and how to produce something helpful that would engage the church. It asked: how do complex and challenging global issues, such as world trade and economic globalization, enter the life of the congregation?

As a response to the General Assembly action, the committee set in motion a process whereby four timely papers would be developed approaching world trade issues in their current context of rapid globalization. The goal would be to engage the church in dialogue without a loss of core Christian values. The challenge would be to connect what is happening in the global economy to how it impacts the local economy and its lifestyle. These four papers—all affirming that economics is a matter of faith—would be made available to the church for study, reflection, and feedback to the ACSWP. The committee would then pull together its learning into a resolution for possible submission to a future General Assembly.

Gordon Douglass, former chair of the ACSWP, who had served on the task force that produced *Hope for a Global Future*, and a consulting economist and former vice-president for academic affairs and dean of Franklin and Marshall College, was invited to draft the first paper: "The Globalization of Economic Life: Challenge to the Church." He did so in December of 1997 and it has served as a foundational document for the committee's extended reflection. He kindly updated it in November 1999 for this publication. Both versions have had broad distribution and have sparked engaging discussions. The paper serves to define economic globalization and to introduce the theological and ethical considerations for the three papers that would follow and, thus, is a key document to be read prior to the other papers. It examines the impact of economic growth and the challenges brought by the new political dynamic experienced in globalization.

The committee invited the International Labor Rights Fund to prepare the second paper: "The Employment Effects of Free Trade and Globalization." Pharis Harvey, a United Methodist minister and, at the time, the executive director of the International Labor Rights Fund, oversaw the development of this paper in conjunction with a work team of the ACSWP. This paper looks at the connection between resources and labor and the need for the church to address the intentional exploitation of people for profit. Thus, it has a focus on the all-important impact of the international trade agreements on the people involved in producing the goods. It offers for consideration several challenging policy options.

Two other papers are currently in the works to broaden the committee's understanding of two further important dynamics as set forth in the General Assembly directive. Robert Stivers, professor of ethics at Pacific Lutheran University, will draft the third paper which will measure the environmental impact of world trade and economic globalization. Ruy Costa, an ethicist and immigrant from Brazil, current chair of the ACSWP, and Executive Director of Episcopal City Mission in Boston, will draft the fourth paper which will examine the cultural impact of world trade and globalization. These two papers are anticipated to be available in spring 2002.

The ACSWP invites sessions and other groups within congregations, as well as presbytery and synod committees or groups, to explore the issues contained in this study document (and in the whole series) and to respond with any and all discernment of the Spirit so that the task force and committee will be informed as they prepare and propose a resolution on trade to the 215th General Assembly (2003).

A study document of the General Assembly seeks to stimulate study and discussion within the church on particular social issues. It is not to be construed as a social witness policy of the Presbyterian Church (U.S.A.). Therefore, nothing in this document can be used to direct the mission program of the church. This study document is distributed to inform and help prepare a resolution.

Recognizing that the World Alliance of Reformed Churches (WARC) meeting in August 1997 at its 23rd General Council in Debrecen, Hungary, called on its member churches for a *Processus Confessionis* regarding economic injustice and ecological destruction, it is hoped that the series of papers developed by the committee on world trade might serve as a contribution to that committed process of recognition, education, confession and action.

Reflections and feedback from the study of this document should be sent to the offices of the Advisory Committee on Social Witness Policy. We encourage prayerful study and reflection to continue to occur in congregations and presbytery groups in the next year. Feedback will be accepted through December 31, 2002, for use by the Advisory Committee on Social Witness Policy in its response to the Assembly.

Send your comments and reflections to:

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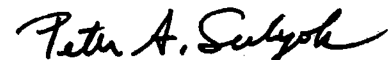

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Advisory Committee on Social Witness Policy

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The Employment Effects of Free Trade and Globalization

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The Employment Effects of Free Trade and Globalization

Introduction

At its 208th General Assembly (1996) the Presbyterian Church adopted a report entitled *Hope for A Global Future: Toward Just and Sustainable Human Development*. In adopting that report, the General Assembly asked the Advisory Committee on Social Witness Policy (ACSWP) -

> . . . to monitor the implementation and consequences of the recent international agreements and mechanisms for expanding world trade - such as NAFTA, GATT, WTO - with special concern for the effects of trade on the poor, the natural environment, local communities, and the distribution of power among the actors in economic development. The ACSWP shall report periodically to the General Assembly and its relevant agencies on its findings and their implications for the further development of policy on international trade issues in the public arena.[1]

To respond to the General Assembly, the ACSWP commissioned a number of papers. The first of these, by Dr. Gordon K. Douglass, addresses the phenomenon of economic globalization, and outlines the social and ethical issues to which it gives rise.[2] This paper on employment impacts by the International Labor Rights Fund (ILRF) is one of several which will continue to address the areas of social concern for the Church, as enumerated by the General Assembly in its request to the ACSWP. It will be followed by papers on political dynamics and on cultural and environmental impacts of globalization.

This paper addresses in detail some of the issues which globalization presents for workers in both the global north and south. Building on the insights of Dr. Douglass' paper, Section One develops further the meaning, significance, and consequences of economic globalization as it relates to employment issues. It describes the characteristics of modern globalization that distinguish it from world trade patterns of the past, including the tremendous increase in and volatility of capital flows as well as new production techniques that allow operations to be spread over several countries. It touches on the expanded influence of supranational institutions and the historical background of globalization.

Section Two looks at the part played by global and regional trade agreements and institutions such as the World Trade Organization, NAFTA and the at least temporarily stalled Multilateral Agreement on Investment. Section Three shows how economic globalization is affecting workers in both the North and the South and identifies trends in employment, unemployment and wage levels that pose particular problems for workers. Section Four assesses potential policy options that could moderate the more severe adverse impacts of globalization on the world's workers, particularly the campaign for a multilateral social clause. The appendix includes a guide to some of the more useful and pertinent internet sites, a bibliography of some relevant literature, and a list of some other organizations working in this area.

Section One: The Meaning of Economic Globalization.

Overview of Globalization

Given that international trade has been around a long time, what are the distinguishing features of globalization? While there is no agreed-upon definition for the widely used term, in general, globalization refers to the increasing integration of the world brought about partly through technological innovations in transportation, production and communication and partly through deliberate economic strategies designed to allow an unrestricted flow of goods and services around the world. Some distinguishing features are the ability of capital to move production and financial assets around the globe, integrated global production with different processes or parts carried out or made in different parts of the world and strategic alliances between transnational corporations (TNCs) and each other and between TNCs and their suppliers.

Globalization can also be seen in the increasing spread of a homogenized consumer culture typified by the omnipresence of McDonald's restaurants and American TV programs and in nations' growing interdependence in many spheres. It can also be illustrated by the internet, which in its convenience virtually erases a sense of time and distance between people, who connect in an "unreal" place. In the context of the lives of workers and their unions, globalization refers to closer and deeper economic integration and competition between countries, brought about by the elimination or weakening of economic borders for the flow of investment, and consequently, jobs.

Economic globalization is a complex, and multilayered phenomenon. At its simplest, it covers basic exchange and trade between nations: the sale and purchase in one country of goods made in another. At another level, it covers the decisions of economic actors to organize their production across locations in different countries. This is a deeper form of economic globalization, because it includes much

more economic involvement of the host countries. It may consist of technological investment as well as financial capital, along with less tangible or quantifiable inputs such as innovation and know-how. Together these form the foreign direct investment (henceforth, "FDI") package. When FDI goes into production for export, then the exported product is also part of the phenomenon of economic globalization. For example, FDI from the United States goes into a manufacturing facility in El Salvador, to make clothes that are sold in the United Kingdom or Europe.

Foreign Direct Investment and Capital Flows

The most obvious manifestation of economic globalization is the growth in international trade in the last decade, which has been spurred by reductions in barriers such as tariffs and quotas. A related phenomenon is the liberalization of investment rules and opportunities around the globe, with many countries allowing or being pressured to grant much greater access to their domestic markets by investors from other countries. This has resulted in increased international movements of capital, in the form of FDI. Both the increases in trade and the rise in FDI have contributed to growing internationalization of production by transnational corporations (TNCs). At the top of the international trade pyramid, governments have created an intergovernmental organization which has powers to regulate international trading relations in many areas: the World Trade Organization.

While trade and FDI have grown dramatically, overall economic growth has not kept pace. Over the last 20 years FDI grew *three times faster* than overall output. Indeed, FDI is growing even more rapidly than international trade, and is an even better indicator of the scale of global economic integration. Total private capital inflows to the developing countries from 1977 to 1982 averaged $51 billion, while by 1994 the average had climbed to $173 billion.

Since the mid 1980s, the character of international financial flows has substantially altered. First, commercial flows from banks to most developing countries largely stopped after 1982. Secondly, while international development agency flows have continued to grow, their significance has fallen as they have been overtaken by private money, which is driven by opportunity for profit rather than need. Development assistance without an immediate return to investors is thus in short supply. Third, new private flows have rushed principally into 10 or 12 newly emerging markets, one of the most prominent of which is China, leaving much of the developing world starved for both public and private development assistance and investment.[3] An important point about this aspect of economic globalization is the sudden rise in rapid movement of private capital around the world. Although commercial banks have largely lost interest in the global South as a destination for investment, new private forms of capital have emerged to fill some of the gap.

In addition to bank lending and investment in emerging markets, there is a growing amount of portfolio investment by northern investors in the stock and bond markets of the south. For example, Wall Street managers of mutual funds may buy stocks on the Brazilian stock market. Between 1990 and 1994, the movement of portfolio equity flows into the South grew from $3.2 billion to $32.7 billion. Much of this increase in investment was facilitated by the opening of stock markets to foreign investors, often on the advice of development banks, and in many cases in order to satisfy conditions of (structural adjustment) loans. It now appears that overseas investments account for one in eight dollars that U.S. pension and mutual funds invest.[4]

This form of economic integration is far less stable than FDI. Investors are interested only in the return on their capital, so they are far more likely to withdraw more quickly than the owners of FDI, which usually involves greater integration into the economy of the host country.

Much of the new, fast-moving private investment has involved currency speculation. This sort of investment and capital flow is even more volatile. Unlike FDI that is tied up in manufacturing or services, for example, currency speculation can see massive volumes of money leave a country as quickly as it entered. These speculative currency movements were significant contributing factors in the economic collapses of Mexico in 1994, in several southeast Asian nations in 1997, and in Russia and (almost) in Latin America in 1998 and 1999.[5]

There is little doubt that capital inflows and development have the potential to bring with them new jobs and technology. However, reductions in limits on capital flows work both ways: capital flight can cause significant problems for developing country economies, which offset the benefits that might be gained from the new jobs and technology which capital infusions may bring.[6] Capital flight is all the more likely to be a problem when speculative foreign capital is not being directed to forms of investment that contribute to the host country on a productive, long-term basis. Much of the short term private capital flows that have recently fled developing country economies generated high growth rates, but because the funds were not invested in productive long-term

uses, the outcome was speculative bubbles in real estate and stock markets.[7]

Corporate Global Integration

A particularly deep form of globalized economic integration can be seen in the coordinated activities of transnational corporations across borders. Many of them create strategic alliances of related economic entities, which are designed to protect and to enhance both their competitive advantages and their global market positions. The automobile industry provides a good example of strategic alliances:

> GM now owns 37.5 percent of the Japanese auto manufacturer Isuzu, which produces automobiles for sale under the GM and Opel brand labels. Chrysler has had an ownership stake in Mitsubishi Maserati, and Fiat. Ford Motor Company has a 25% stake in Mazda and names three outside directors to the Mazda board. Ford and Mazda jointly own a dealer network in Japan, cooperate in new product design, and share production exercise[8]

Bennett Harrison includes strategic alliances as one of four building blocks of an "emerging paradigm of networked production" which multinational corporations use to centralize control and decentralize production.[9] A second building block is the pursuit of "lean production" in which in-house operations are stripped down to their core competencies while other work is farmed out to outside suppliers and subcontractors. The use of sophisticated computerized manufacturing and management information systems constitutes the third building block while the fourth is the solicitation of a core group of expensive and hard-to-replace workers into active collaboration with the company.[10]

Nike, the footwear manufacturer, provides a good example of lean production. It has some 8000 employees engaged in managerial, sales and promotional activities and another 490,000 workers who are employed by Nike's subcontractors. Most of Nike's footwear subcontractors are in Indonesia, China, and Vietnam where young girls and women may be paid as little as fifteen cents an hour to produce shoes that will later be sold in Europe or the United States for $73 to $135.[11]

Ironically, the net result of these mechanisms is to consolidate central control of what would appear at first glance to be a very decentralized industrial structure. By holding tightly to the essential elements of capital investment, design and marketing, the parent company, or "brand," discourages independence on the part of manufacturers, suppliers, or assemblers of products, who are placed into fierce competition with other manufacturers, suppliers and assemblers but kept in a dependent relationship with the "brand."

The Impetus for Globalization and the Ascent of Neoliberalism

The impetus for globalization began with the economic crises of the 1970s characterized by "stagflation" or high inflation combined with slow growth rates and falling corporate profits. Competition heightened as countries whose economies had been devastated by World War II rebuilt and began to challenge US hegemony. Corporations employed a variety of measures to cut their production costs, including laying off large numbers of employees, reducing the number of benefitted full-time workers in favor of non-benefitted part-time and temporary workers and moving production to areas with lower wages.

During the 1980's this process intensified. At the national level, corporations sought and won tax reductions, deregulation, cuts in public welfare expenditures, and a lowering of environmental, labor, health and safety and other standards. At the regional and international level, corporations began to rely on supranational organizations and forums to discuss and establish policies. These endeavors were pursued at the relatively new summits sponsored by the Group of Seven industrial nations (G-7, now G-8 with the addition of Russia) and the Organization for Economic Cooperation and Development (OECD); through regional trade agreements such as the North American Free Trade Agreement (NAFTA) and the Maastricht Treaty; and through new roles for established institutions such as the World Bank, the International Monetary Fund (IMF), and the General Agreement on Trade and Tariffs (GATT).[12] The corporate agenda inside these organizations has been to smooth the way for international trade in goods and services by limiting any impediments to the free flow of goods, technology or capital (while simultaneously tightening control of intellectual property) It is this market-dominated agenda, and the economic theories that support it, which has come to be known through much of the world as neoliberalism.

Particularly since the demise of the former Soviet Union, this market-dominated economic theory and the policies that implement it, have spread triumphantly and rapidly throughout the world. Chief among the promoters of such policies have been the International Monetary Fund (IMF) and the United States Treasury, which is often (and particularly so at present) seen as the power behind the throne at the

IMF. Over the last 15 years, the World Bank and other multilateral development banks have moved increasingly toward policy-based loans which emphasize the desirability of adopting the western neoliberal model. For many developing nations, loans have been conditioned on the acceptance of neoliberal prescriptions which have often been detrimental to workers and the poor.

Consequences of Globalization

Globalization has resulted in a vast increase in the concentration of power and wealth in the hands of some 500 powerful corporations and a concurrent decrease in the power of the nation-state and of the majority of world citizens. According to the UNDP's *Human Development Report*:

> Of the World's 100 largest economies, 50 are megacorporations. The 350 largest corporations now account for 40% of global trade, and their turnover exceeds the GDP of many countries. [13]

Indeed, the UNDP report shows that the top five corporations alone have sales that are over three times larger than all of the GDP of Sub-Saharan Africa and nearly two times as large that of South Asia. This concentration of wealth in corporate hands has been accompanied by a tremendous increase in the power of corporations which manifests in a number of interrelated areas:

1. *The Race to the Bottom.* The race to the bottom refers to global competition for jobs and investment that spurs reductions in wages, social investment, and labor, social, and environmental standards. Pressures to accede to lower standards may come from governments that agree to tax concessions or look the other way when national labor or environmental regulations are being violated, as Mexico has done in the "Maquiladoras," border area export processing zones. Sometimes pressures may come from corporations who threaten to move their production or close up their businesses if workers or local governments refuse to accept the conditions they impose. Sometimes lower standards such as reduced wages or higher food prices are demanded by international finance institutions (IFIs) such as the World Bank and the IMF as a condition for developing countries to receive loans.

2. *The Widening Gap between Rich and Poor.* The gap between the rich and the poor is a worldwide phenomenon occurring both within and between nations. In the U.S., the richest 1 percent of the population have nearly doubled their share of the national income from 8 percent in 1980 to 14.7 percent in 1989. This same 1 percent increased their total wealth from 27 percent in the 1970s to 36 percent in 1989.[14] The top 10 percent of the U.S. population owns 83.1 percent of all non-pension fund stocks. The richest 0.5 percent owns 37.4 percent of the stock.

The gap between rich and poor countries is even greater. The 1992 UNDP Human Development Report found that the richest fifth of the world's population receives 82.7 percent of the world's income while the bottom 20 percent receives only 1.4 percent. When the global distribution is computed based on individual incomes rather than national averages, the income of the top 20 percent is 150 times the income of the bottom.[15]

3. *Loss of Democratic Control.* As the power of the transnational corporations has grown, the power of individuals, communities and governments has declined. Financial markets discipline even the most powerful countries through disinvestment and capital flight. When Wall Street and other stock market centers disapprove of a nation's fiscal or monetary policy, the disapproval is soon reflected in the value of the currency. Developing nations are also disciplined through IMF and World Bank Structural Adjustment Programs and other conditionalities.

Section Two: Global Trade Agreements

Post-War Institutions

Toward the end of World War II, two institutions were established as a result of the July 1944 Bretton Woods Conference, the International Monetary Fund (IMF) and the World Bank. A third was negotiated, but failed to gain ratification by the US Congress and, thus, never went into effect: the International Trade Organization (ITO). Anticipating the formation of the ITO, the Generalized Agreement on Tariffs and Trade (GATT) was negotiated at Geneva in 1947 as an interim agreement that lowered tariff and other trade barriers. When the ITO was not ratified, GATT remained in effect[16], without, however, an important element that had been part of the ITO founding document, the Havana Charter. This was a clause recognizing the impact of trade and labor standards on each other. The Havana Charter included the following language in Art. 4:

> The Members recognize that measures relating to employment must take fully into account the rights of workers under international declarations, conventions and agreements. They recognize that all countries have a common interest in the achievement and maintenance of fair labor standards related to

productivity, and hence in the improvement of wages and working conditions as advances in productivity may permit. The Members recognize that unfair labor conditions in production for export create difficulties in international trade, and, accordingly, each Member shall take whatever action may be appropriate and feasible to eliminate such conditions.

On January 1, 1995, some fifty years after the ITO was first proposed, and following the Uruguay Round of negotiations, GATT was converted to the World Trade Organization (WTO). While GATT dealt primarily with setting tariffs and trade in goods, the Uruguay Round of Negotiations, which were conducted from 1986-1993, concluded new agreements covering trade in agriculture, services and intellectual property rights. It included a stronger and more unified dispute resolution mechanism in which unanimous decisions are no longer required and in which sanctions and penalties may be imposed.[17] One element of the defunct ITO that was not included, however, was a recognition that labor rights and standards were affected by trade decisions.

Labor rights was one of the issues that, at the Third WTO Ministerial Conference in Seattle in November 1999 threatened to scuttle the new trade organization altogether. The U.S. government, attempting to launch a new round of talks that would strengthen agricultural, service and investment rights for multinational corporations, solicited U.S. labor support for its agenda by calling for a social clause, thus intensifying the antagonism and suspicions of developing country governments and NGOs alike. Tens of thousands of street protesters calling for democracy, participation, transparency and social and environmental protections in the trade agreement physically prevented the opening session from convening. In the end, southern government resistance and "street heat" in the form of large-scale protests caused the conference to end without any consensus on a further negotiating agenda.[18]

Another important post World-War II institution is the Organization for Economic Cooperation and Development (OECD), the successor since 1961 to the Organization for European Economic Cooperation (OEEC). The OEEC was set up in 1948 to oversee the implementation of US Marshall Plan aid and to encourage liberalization of trade in postwar Europe. The OEEC initially consisted of 18 non-Communist European countries with the US and Canada serving as associate members. After the transition to the OECD, the organization evolved adding development cooperation among the primary donor countries to its list of concerns. New non-European members were invited to join including Japan, Australia, New Zealand, South Korea and Mexico. After the breakup of the Soviet Union, the ex-communist countries, Hungary, Poland and the Czech Republic joined. At present, the OECD has 29 members including the US and Canada as full members.[19] Its most recent activity regarding global trade was an aborted effort to negotiate a "Multilateral Agreement on Investments" (MAI) in 1997-98, which sought to override national laws protecting domestic investors or giving preference for foreign investment in certain industries and sectors, under the rubric of providing "national treatment" for international capital.

An investment treaty similar to the MAI had been discussed as part of the GATT Uruguay Round where it was referred to as the Multilateral Investment Agreement (MIA). Due to opposition from the developing countries, and at the urging of US Trade Representative, Charlene Barshefsky, the venue was moved in 1996 to the OECD on the assumption that an agreement between 29 countries would be easier to reach. The global pressure for access to capital, it was argued, would lead less-developed countries to agree to terms later on. At the OECD, the major industrialized countries pushed hard. It was scheduled to have been completed in the first half of 1998, but pressure from concerned groups around the world led governments to slow down the negotiation process. Formal talks at the OECD have not resumed, although back channel negotiations are undoubtedly underway.

While the MAI negotiations under the aegis of the OECD ground to a halt in 1998 under the weight of popular dissent, the U.S. and other governments attempted to reintroduce the subject as an element of a new "Millennium Round" in the WTO Ministerial meeting in Seattle in late 1999. They were equally unsuccessful at this effort, due to the extraordinary display of opposition on the streets of Seattle during the WTO meeting, and to a failure to secure the consent of many developing countries to holding such a new round. It is not certain where the issues of investment will next surface, but certainly they will, because of the power of multinational corporations and financial institutions to press the agenda of "national treatment" for their investments everywhere, and their consequent power to extract concessions from developing countries.

If it comes into existence, the MAI or its equivalent potentially would have a number of impacts on workers. First, it would not allow governments at local, state or national levels to discriminate on behalf of domestic employers or workers, whether in local content laws, preferences in procurement contracts for minority owned firms or similar measures.

Secondly, it would not allow countries to deny contracts to companies that operate also in countries that systematically deny human rights (as for example in Burma where forced labor is used). By favoring further the rights and powers of multinational corporations, it necessarily disempowers workers, and allows corporations the possibility of bargaining wages and conditions down further everywhere.

Regional Trade Agreements

Partly in response to increased economic integration in Europe and a temporarily stalled GATT agreement, support grew in the late 1980s in the US for a regional trade agreement for North America. In 1990, President George Bush formally announced his proposal to establish a free-trade pact between the US, Canada, and Mexico. The North American Free Trade Agreement (NAFTA) (1993) contained many of the same provisions as were being proposed in the Uruguay Rounds, but the agreement went one step further in that it extended the right to sue to corporations rather than to governments only. It included, in side agreements, weak provisions to address labor and environmental standards, but without any significant enforcement mechanisms.

Following the conclusion of NAFTA talks, the U.S. began an effort to extend its terms throughout the Western hemisphere in multi-year negotiations for a "Free Trade Agreement of the Americas." Because of the leadership of Brazil in opposing the extension of the terms of NAFTA, these negotiations are also stalled. Brazil, Argentina, Paraguay, Uruguay and Chile have negotiated a separate agreement called MERCOSUR ("The Trade Agreement of the Southern Cone."), which includes a broader social agenda but fails, like NAFTA, to include enforcement mechanisms. Other trade agreements have also been concluded in recent years in the Andean region, the Caribbean, and in Southeast Asia.

APEC, (Asia-Pacific Economic Cooperation) deserves special notice. Beginning in early 1994, the Clinton Administration sought to convert a relatively low level forum on economic issues involving all the countries and territories of East and Southeast Asia and the Pacific Basin (including Mexico, Canada and Chile) into a high-profile negotiating platform for liberalizing trade. In part, this effort was intended to weaken a similar Japanese attempt to form a free trade area with Southeast Asian countries that would exclude the United States. Despite annual gatherings of heads of state to discuss economic issues of mutual concern, the APEC talks have yet to produce any measurable progress toward a free trade area. They have also failed, despite significant civil society advocacy, to include human development issues, such as worker rights or environmental protection. In fact, it may well be that the most significant accomplishment to date of APEC has been its role in rousing a strong network of social and environmental organizations throughout the region to protest against the free trade imperatives of the official APEC talks . There is little doubt that the experience of the rapidly growing anti-APEC movement throughout Asia and the Americas was instrumental in charging the protests in Seattle in December 1999 against the WTO.

The Role of the International Financial Institutions

The World Bank and the other multilateral development banks have become significant institutional actors in the push toward globalization and economic liberalization. Approximately 18 years ago, the World Bank began to shift away from only project-related financing to make policy-based loans, known as Structural Adjustment Loans.

Prior to about 1980, responsibility for adjustments to industrial relocation into developing countries lay with the most economically advanced countries, as a way of limiting protectionist responses to loss of labor-intensive jobs. But the responsibility shifted radically to the weaker economies from about 1980 as the World Bank and the IMF began to blame the weaker economies themselves for their lack of growth and inability to repay massive and ill-considered loans made in the previous decade, on the assumption that internal inefficiencies, rather than global economic conditions, were the primary reason for their slow growth. These structural adjustment loans were conditioned on major changes in the management of finance and monetary policy, and were based on a simplistic notion that the same sort of measures that might work in advanced economies would work in poorly developed and impoverished economic systems as well. The structural adjustments imposed as conditions for loans were targeted at stabilization of prices and reform of the public sector, which primarily meant privatization of publicly owned enterprises and the scaling back of social expenditures. A major component of these policies was the shrinkage of the functions of the state. Acceptance of these stringent conditions allowed the World Bank to disburse money quickly to countries with severe balance of payments problems, while the failure to adjust carried the potential for further economic hardship. This engagement in structural adjustment also made the World Bank a significant player in pressing for the structural and policy adjustments which have facilitated the increases in private capital flows.[20]

An important point about the IFIs is that while they are no longer the disbursers of the most funds, they remain the gatekeepers to the world of private funds. Not all countries are equal recipients of private capital inflows. For the many developing countries that are unable to attract FDI, the IFIs remain important sources of funds, as well as the "enforcers" of conditions that make countries more conducive to private investors. Often private funds are now only available if a country is undergoing structural adjustment or otherwise complying with some IFI strictures.

A perhaps unintended consequence of this "structural adjustment" approach to change has been the preference often given to authoritarian governments. As one economist close to World Bank leadership expressed it, "A courageous, ruthless and perhaps undemocratic government is required to ride roughshod over these newly-created interest groups."[21] This preference often undermined the ability of civil society, including workers' organizations, to participate in decisions that affected their employment and social welfare. The belief was that, since authoritarian governments were presumed to be more efficient in carrying out unpopular measures, the long-term effects of authoritarian changes would benefit everyone. Unfortunately, this overlooked the extremely high price in corruption and misallocation of resources that societies pay for governments that are unaccountable to a broad spectrum of their citizenry. After about two decades of this approach, the World Bank has lately begun to reappraise the value of civil society and its checks and balances as an instrument of efficiency as well as a desirable element of democracy. In the interim, much damage has been done.

The effect of IMF and World Bank policies has been, in many instances, to depress domestic spending in the countries where they have been imposed, often lowering wage levels and increasing unemployment. This in turn has reduced consumer spending, and so the volume of demand for imports from developed countries has also fallen. This can obviously have harmful effects on employment in the developed world as well.

Section Three: How Globalization and Economic Liberalization Can Affect Workers

Viewed from a great enough distance, globalization and free trade are positive for all. They maximize various efficiencies that can result from shifting production of goods and services to the point of greatest cost saving, and allow each country to find its own level of skills, resources, and markets within a much greater degree of connectedness with the rest of the world.

Neoliberal international trade theory suggests that the benefits of trade increase with economic diversity between partners. Thus, trade between the United States and Mexico brings greater benefits to both countries than, say, trade between the U.S. and Europe, because of the greater disparity of economic conditions. Each country's economy, this theory holds, should trade in the products and sectors where there is a comparative advantage derived from skills or resources, including labor market resources. In the U.S., for example, production for export should maximize value-added work that requires greater skills and training or much more efficient technology, such as highly mechanized agriculture that can produce food for Mexico at much greater levels of efficiency than the timeworn *ejido* system of indigenous agriculture. Mexico, by the same theory, should give up such subsistence agriculture and set its consequent huge labor surplus to work in labor-intensive production of goods for export to the U.S.

By this theory, workers in low wage, high-unemployment countries can expect to gain advantage from the growth in new employment opportunities while workers in advanced industrial or post-industrial economies can gain from efforts to upgrade skills and value-added production. As a developing country takes advantage of the new technologies and entrepreneurial knowledge that foreign investment should bring, workers will have the chance to take up training for newer and more highly skilled forms of employment. In addition to meeting employment needs in low-wage countries, increased production for export should benefit consumers in the importing countries, who will benefit from lower priced products, and workers, who will ultimately benefit from higher training and skills.

Thus, a recent United Nations report concludes:

> Although there will be short-term transitional costs for many developing countries as they adopt more outward-oriented liberalization policies, globalization provides hope of significant poverty reduction over the long term through its contribution to economic growth, productivity and consumption benefits. The significance of globalization to economic growth and poverty, however, can be expected to vary for different categories of developing countries. While most developing countries will gain from the globalization process, some will benefit more than others, and a number of

countries with initial conditions that make them less suited to take advantage of globalization will lose out and become more marginalized in relation to other countries. However, it is expected that total benefits for the developing countries as a whole will be greater than total costs, and that absolute poverty will as a result decline in global terms.[22]

Viewed from closer to earth, however, this theory runs into a number of problems, which must be considered if the short-term costs of globalization are not to outweigh and make politically or economically impossible the realization of the promised long-term benefits.

These problems can be categorized as related to transitional costs, new patterns of competition, and exclusion of countries and sectors. They affect workers in high-end economies, middle level developing countries and the least developed countries as well, although in differing ways.

1. Transition Costs

There are likely to be many problems for workers everywhere caused by national and international economic shifts due to economic liberalization and deregulation. As the market determines who are the winners and who the losers in the new economic system, transition costs can be devastating for those who lose. Workers may suffer from the adverse effects of competitive pressures from lower-wage countries far in advance of gaining new higher-skilled jobs, from job-and skill-reducing technological innovations, and from market-oriented governance systems that undermine protective workplace standards, public sector employment or transitional assistance.

Declining Government

A major problem for workers, whether in the North or the South, is dislocation brought about by structural shifts which are commonly caused by economic liberalization. Reliance on the market to determine the best outcome in international trade, should only be politically acceptable if society compensates those who are turned by market forces into losers. In the North, for example, these include the workers whose jobs are eliminated through technological innovation and relocation of production facilities. In fact, the level of internationalization of economic relations appears to be a good predictor of a need for government intervention to protect those who lose at the hands of the market. The more exposure there is to the high velocity winds of global economic interaction, the larger the government role in protecting the weaker sections of society from the down-sides needs to be.

In fact, it seems that exposure to open trade in the early 1960s is a statistically significant predictor of expansion of government size in the following three decades.[23] In the present era of globalization, however, this trend has reversed, as governments have done less to protect the market's losers than in the past. There seem to be three reasons for this downfall. First, employers are far less willing to provide employment security and stability. This is partly a response to increased competition, and partly a product of their greater capacity to move production to new locations around the globe. This means they are less dependent than ever before on the goodwill of their workforce. Secondly, governments are less easily able to fund social safety nets, in part because the increased mobility of capital makes the tax base far less certain. Finally, the emergence of neo-liberal dogma and ideology has included a strand of attacks on the welfare state, which has made it far more difficult for governments to support domestic needs, while catering to the changes brought about by the global economy. "Accordingly, at the very time increased integration into the world economy has heightened the need of governments to redistribute tax revenues or implement generous social programs in order to protect the vast majority of the population that remains internationally immobile, governments find themselves less and less able to raise the revenues required to furnish the safety nets needed to preserve social stability."[24]

Between them these forces foster structural changes which can produce or exacerbate unemployment, and which exaggerate the differences between people with skills, education and mobility, and those without. A 1992 study by the U.S. Congress' Office of Technology Assessment, points to the vulnerability of a significant portion of the U.S. workforce at the beginning of the 1990s:

> In the United States, the end of the 30-year post-World War II boom has hit less-skilled and less-educated workers particularly hard. From 1973 to 1991, hourly wages of male high school graduates with 1 to 6 years of experience *declined* by 29 percent. From 1980 to 1989, the proportion of full-time workers with annual incomes below the poverty level for a family of four *rose* from 12 to 18 percent.[25]

The Cost of Foreign Investment

FDI and other long term private flows can have a

doubly adverse impact in the developed countries in which they originate. Companies that shift manufacture to countries in the developing world may no longer need production facilities in the developed world. In fact, globalization's emphasis on trade between the rich and the poor encourages the export of jobs to low wage countries, which necessarily eliminates existing jobs in high wage countries. As the above-cited Congressional study notes:

> . . . a NAFTA would not have large aggregate impacts on U.S. jobs and job opportunities for the first 5 years, in part because many NAFTA provisions would be phased in gradually. Over a longer time period, during which the impact of increased investment flows to Mexico would be felt, the impacts could be more substantial. For workers who lose their jobs because of a NAFTA, whether in the short or long run, the consequences can, of course, be devastating.[26]

Misplaced Development Schemes

Transitional costs are not limited, however, to the higher-end economies. In Brazil, for example, a World Bank project in a southern rural state that was intended to create large-scale employment in raising chickens, instead was found to have caused the large-scale unemployment of thousands of small-time chicken farmers in the region. These farmers, hitherto independent producers, were forced out of business and by necessity, had to try to get jobs in huge chicken-producing agri-factories where the economies of scale increased the efficiency of the industry but left thousands without any income at all.[27]

Unrealized Hopes

Nor are the transitional costs limited to those who lose their livelihoods from such changes. Workers from impoverished rural sectors in developing countries are often drawn to industrial jobs in export-related industries by the promise of higher cash income than is available to them from the land. However, as workers in Indonesia testify,[28] the promises are frequently unrealized because of the higher than anticipated costs of urban living. Further, while the allure of an urban lifestyle with its independence from the strictures of traditional family controls draws many young women into the cities for jobs in garment, footwear and electronics factories throughout Southeast Asia and Central America, actual conditions often involve living in dangerous and crowded slums, working excessively long hours for pay that barely meets survival needs and having little or no expendable income.

The Cost of Currency Instability

Contrary to the predictions of international economists, globalization can also *lower wages* in the South, although for different reasons than in the North. In the first place, as noted, developing countries have become increasingly dependent on private capital inflows, which are increasingly volatile. This makes developing countries highly vulnerable to reversals: when the market falls, foreign investors flee, and the economy turns down. This leads quickly to job losses, and raises the issue of the quality of jobs that are created (if any) by short-term foreign investment. Employment that is dependent on foreign capital which has been invested on a temporary basis is necessarily going to be less secure, stable and fulfilling for workers.

Lost Havens

Furthermore, the same patterns of investment that generate new industrial jobs are at work as well in primary sectors such as agriculture, forestry, and fishing. At times of economic crisis, the traditional safe haven of informal sector work in rural agriculture is much less available for newly redundant factory workers victimized by the economic crisis. Workers in Indonesia are finding how true it is that "you can't go home again," a sad truth economically as well as culturally.

Capital Mobility vs. Worker Immobility

Workers also suffer from the adverse impacts of short-term portfolio flows, which are particularly vulnerable to sudden capital flight. This causes immediate problems in the South, as the economy and local markets can collapse. When foreign investors withdraw their money, a currency crisis can follow. Often it happens the other way around: a currency crisis can weaken the confidence of foreign investors, leading to capital flight. This was the sequence of events in Mexico, where a significant currency devaluation in 1994 triggered capital flight and, subsequently, huge wage losses for workers in an economy highly sensitive to the comparative value of the peso and the dollar.

More recently, the 1998 financial crisis in Southeast Asia caused the loss of millions of jobs as a result of speculative capital flight that triggered bank failures and collapse of stocks on local markets.

> Frustrated policy makers, economists, and even managers and analysts at major institutional investing firms tried desperately to break the grip of the escape syndrome by

pointing out that despite some obvious and even deep problems with the political economies of Southeast Asia, the economic fundamentals in the region simply did not warrant such a mass exodus. But when the managers and analysts finished talking to reporters, most of them went back to their terminals and phones and continued selling shares and local currency, because they knew that words of assurance would not be enough to stop the stampede.

In the weeks and months that followed, several countries in Southeast Asia endured devaluations in their currencies averaging more than 50 percent and declines in local stock markets that were even higher. Scores of millions of workers and managers were fired from companies that either went bankrupt or had to scale back their operations because economic growth rates were suddenly much lower, imported components were much more expensive, or major government projects were postponed or canceled.[29]

Trade Deficits and Job Loss

A currency crisis also further exacerbates trade deficits in the north, as products from the south become cheaper. Trade deficits can be a significant source of harm to workers in the global economy. The growth in international trade has been paralleled in the United States by growth in the trade deficit, the indicator which measures the difference between a country's exports and its imports. The trade deficit is an important and useful measure because it is a clear indication of the impact of the simple rule that exports create jobs, while imports destroy them. If a product is made in the United States, then workers must be employed here to produce it. On the other hand, if the product is imported, there is no need for any U.S. employment in making it. The United States has had a trade deficit continually since the mid 1970s. The trade deficit in 1997 was equivalent to approximately 2.5% of GDP. "The growth in the trade deficit has destroyed millions of high wage, high skilled manufacturing jobs in the U.S., and pushed workers into other sectors where wages are lower, such as restaurants and health service industries." Between1979 and 1994, trade eliminated 2.4 million jobs in the U.S.[30]

The Uncertainties of Foreign Ownership

Transitions in capital ownership triggered by a currency crisis can lead to a new range of difficulties for workers and their representative unions. The Korean Metal Workers Union (KMWU) recently completed a study of the impact of foreign investment in the metals and automotive sector of this mid-level economy in the wake of the economic crisis of the 1997-98. Forced by the structural adjustment program of the IMF to lower limits on foreign investments in this sector, Korea has experienced a rapid increase in stock investment and foreign corporate ownership. Compared with Korean-owned firms in the sector, foreign corporations have a significantly lower level of unionization: 8.8% compared with 30%. Further, U.S.-majority-owned corporations are the lowest, at only 6.7%.

According to the KMWU, problems for workers in the foreign-owned firms include the following:

> 1) Workers are threatened by insecure employment in the foreign companies due to the possibilities of transferring the plants to Southeast Asia, the withdrawal of foreign capital, and flexible labor market (reduction of labor force and regularly employed workers, and expansion of temporarily employed workers).
> 2) Foreign capitalists' aim to invest in Korea [is] for cheaper labor costs compared to Japan and higher technology compared to [South] East Asia, which increases the dependency of technology for the Korean economy on foreign capital.
> 3) Workers' unions cannot confront with the globalized capital because the unions are based in a country or a limited region.
> 4) The working conditions in most foreign companies are worse than Korean companies and it is difficult to get better due to the government policy which gives favor to foreign investors.
> 5) The lack of foreign investors' understanding of Korean culture and values, Korean labor laws, and usual labor relations would cause conflicts between Korean workers and foreign investors.
> 6) The lack of efforts by most foreign investors to settle down in Korea by ignoring the Korean values and labor relations.[31]

Technology's Limits

The introduction of new technology also sometimes contributes to downward pressure on wages and jobs in more developed countries. Robotics, for example, can easily replace several highly trained crafts-persons with a straightforward machine operator. As we saw above, factory farming

in Brazil can generate more job-seekers than jobs. Efficiency at the enterprise level, brought on by technological upgrading, creates the need for greater attention to its employment side effects, in "social inefficiencies," which governments are less and less inclined to consider.

While the transitional costs of technological change have been a permanent feature of industrialization from its onset, the current wave of globalization accelerates this trend by making it possible to move production that employs highly skilled workers to an entirely different location where such skills (and wage levels) cannot be found, because the technology has made them unnecessary. What is new is the pace and scope of such dislocations.

Flexibilization's Discontents

Still another aspect of economic liberalization which commonly has adverse effects on workers is the pressure on developing countries to adopt "flexible" labor market policies. Often this pressure comes from international development agencies, as well as from the governments of developed countries on behalf of large corporations, and presumably it comes directly from those corporations themselves. For workers, labor market flexibility means loss of power and job security. One of the essential ingredients of the labor market flexibility prescription is usually relaxation of rules relating to hiring and dismissal of workers. The inability of enterprises to get rid of staff in a hurry if they see fit is portrayed by economists as a brake on employment creation; a failure to provide the right incentives to the entrepreneurs out there in the market. The emphasis here is on what happens at enterprise or plant level, as these are seen as the engines of economic growth and employment creation. In the same vein, the economists' prescription for labor market flexibility includes a healthy dose of de-centralization and deregulation of collective bargaining structures.

According to the ILO's Convention No. 98 on Protection of the Right to Organize and Bargain Collectively, workers and their unions should be allowed to determine for themselves the level at which to bargain over wages and conditions, be it local, regional, industrial, sectoral or national. Thus, the requirement from international financial institutions that developing countries make their labor markets more flexible, amounts in many cases to a direct contravention of the basic human rights of the workers in that country. Further, the imperative to flexibility in countries without adequate social safety nets or training programs or whose social safety nets have been directly undermined by structural adjustment programs, contributes, ironically, to a decline in flexibility on the part of workers, who are less willing to risk losing or moving jobs because they have no means to assure their survival. The confrontation between these two sets of needs works to undermine the gains from flexibilization policies.

2. Competition's Downward Drive

Foreign investment in developing countries that seeks to take advantage of low wages may well result in employment in sweatshop conditions, driving those in low-wage countries even further into poverty. In a highly competitive global economy, the primary incentive to inject FDI into many developing countries is low wages. Many developing countries are so desperate to snare some of this investment that they are prepared to offer incentives and concessions which can have harmful effects on their workers. The proliferation of export processing zones is a good example of this. Rather than investment that creates secure and fulfilling employment, multinationals seeking the cheapest wages in effect entice countries to allow them to set up sweatshops, and threaten to move them to other countries if steps are taken to improve wages and conditions. For the governments involved, the pressure of huge numbers of unemployed or underemployed generates a willingness to tolerate conditions that otherwise would not be acceptable. Thus, in many countries basic labor rights are suppressed in order to attract foreign investors, and then to keep them happy. A well-known example is the suppression of union organizing and bargaining by Malaysia in its export oriented electronics sector.[32]

The danger of sweatshops to workers in the south is in fact particularly grave, not only because of the prevalence of export processing zones, but because there are some who argue that sweatshops are *an inevitable stage in a country's economic development*. Those who take that position commonly point to the existence of sweatshops here in the United States in the early part of this century. From here, the argument proceeds that, since the United States managed to move away from this form of production, we should assume that developing countries will eventually do the same. While sweatshops are undesirable in the interim, it is claimed that in the long run there is no problem caused by their present emergence throughout the developing world. In truth, however, there is no question of sweatshops being an economic inevitability, nor is there any assurance that they belong solely to some early stage of economic development. On the contrary, "the only economic law

at work here is that companies are looking for the lowest possible wages."[33] In the face of global competition, sweatshops are returning to the United States, employing mostly immigrant workers at often miserably low wages and illegal working conditions. U.S. Department of Labor surveys found in 1998 that 61% of all Los Angeles area garment factories and 63% of sewing shops in New York were in violation of federal labor laws.[34]

Katie Quan, of Berkeley's Center for Labor Research and Education, points out why workers are the ultimate victims of global competition: they cannot off-load the costs of competition to anyone else. "Retailers compete with each other globally, manufacturers compete with each other globally, contractors compete with each other from country to country for the same orders, and the workers, who have no ability to squeeze anyone else, are thrust into competition with each other by the threat of plant closure."[35] While technological change has contributed to lowering of skill levels required for some industrial work, thereby lowering wages, Quan's work has shown that global competition in the apparel industry has been the dominant element which has forced wages down in the United States, in both relative *and* real terms. Twenty years ago a worker could earn $18 an hour for work that now pays only $9 an hour. In the next section we explore further the processes by which workers in the North are exposed to the real risks of economic globalization and liberalization.

"The Race to the Bottom"

Thus, one of the greatest fears that workers and their unions have is that economic globalization and deregulation will lead to a "race to the bottom." The argument behind this fear is both simple and compelling. Once FDI starts flowing to the South, and the prospect of plant closing becomes real, workers are soon exposed to the risk that those employers that don't simply move production abroad, will start to reign in their employment conditions. Workers in two countries making the same product for differing wages soon find that it is easier for employers paying the higher wage to lower them to the level paid in the other country than it is for employers paying low wages to raise their workers' conditions of employment toward those obtaining in the higher wage country. This is the downward spiral workers fear. This fear is not limited to workers in the north, but is felt everywhere that workers have gained some measure of decent wages or workplace protections, as the report above from the Korean metalworkers union illustrates.

Loss of Workers' Bargaining Power

In addition to actual job losses, such potential capital mobility has a more insidious impact on workers and the labor market. The threat of plant closing and job loss has a chilling effect on workers, and substantially weakens their bargaining position. Workers are far less likely to be aggressive in bargaining where they are subject to a real threat that their workplace will close and their jobs will be moved overseas. A 1997 study conducted by Kate Bronfenbrenner of Cornell University found that 30% of U.S. companies in 1998 utilized *the threat* of plant closure and moving overseas to counter workers' efforts to unionize, leading to rates of unionization much lower than in the public sector where such threats were nonexistent. In the private sector, "where there are no such threats, the win rate is 59%. Where the threats are, the win rate goes down to 41%." In public sector organizing, the win rate is 85%.[36]

Similar pressures operate throughout the global economy, both directly and indirectly. Six months after workers in a Phillips-Van Heusen-owned factory in Guatemala succeeded in negotiating the first-ever union contract in the garment industry of that country in 1998, the company suddenly closed its operations and subcontracted its production to other non-union factories that paid approximately 40% less for the same work. The chilling effect of this move extended far beyond the workers in that plant; no other garment factory in Guatemala now has a union, and workers throughout the industry recognize that the realistic choice they face, without legal protection against such types of anti-union actions, is low wages or no jobs.

Productivity or Repression?

Even the neoliberal economists at the IMF do not entirely dismiss the possible implications of downward pressure on wages, rights and working conditions: "It is in principle possible that such a . . . situation could emerge . . ." According to the IMF, what this fear misapprehends is the extent to which wage levels reflect productivity levels. In other words, it is argued, *unit labor costs* are the most important factor in determining the outcome of competition. If low wages are paid because they reflect low productivity, then the competition between low-wage and high-wage countries will be less, and low-wage countries will not be gaining any unfair advantage in international trade.[37] Of course, what this IMF position leaves unanswered is the question whether low productivity *is in fact* the main reason that wages are low in developing countries, and whether wage increases track productivity increases in developing countries without protective labor standards and laws.

Repression of basic labor standards is another possible reason that wages are and remain low in these countries, in which case any advantage they gain in trade is obviously unfair, both to the workers in the South whose rights are denied, and to those in the North who lose their jobs from unfair competition.

Price Pressures

Trade causes a further problem for workers by putting downward pressure on prices in high-wage economies of products which compete with cheap imports from low-wage countries. This in turn puts pressure on wages, and ultimately on employment levels. Low-wage countries can also be an alternative destination for investment flows, thus suppressing the creation of new jobs in developed countries. Neoliberal theory suggests that developed countries with high wages should move to creation of jobs that require high skills and training, on the assumption that it will be difficult for these countries to compete with developing countries on the basis of wage costs alone. This, however, gives a considerable advantage to workers and companies that are already in the high skill end of the economy, and potentially raises a cost barrier to new employment creation, if workers need to be trained to do the work, and there is higher cost technology required.[38]

In time these differences within the workforce may well manifest themselves, among other things, in increased wage inequality. Income inequality in America decreased from 1929 to 1969, but that trend has been reversed in the last 30 years. It is important to note that economists are by no means sure of the full explanation for the increase in income inequality. Among the contributing factors are: (a) globalization and the shift of highly unionized manufacturing jobs overseas; (b) the declining market power of production workers, brought about by industry deregulation; (c) the decline in the number of union members and the power of organized labor, and (d) macroeconomic mismanagement. Economic Policy Institute research suggests that trade may be responsible for 15% to 25% of the increase in income inequality between 1979 and 1994.[39] The Institute for International Economics has also found evidence that trade is responsible for some of the growing income inequality in the United States. According to the Economic Policy Institute, the Institute for International Economics data supports the conclusion that trade is responsible for about 53% of the explained growth in income inequality.[40] As existing research can only explain about half the rise in income inequality, it appears that trade may in fact be responsible for 40% of the *explainable* share of increased income inequality.[41]

A related problem in the global south is that openness to trade can destroy the capacity of low-wage, low-skill products to compete with imports from well-coordinated multinationals from the North. A standard precondition for participation in the global economy is a rapid opening to imported commodities. This can substantially reduce demand for less-skilled workers, although they often constitute 90% or more of the labor force.

3. Exclusion

It is characteristic of major economic changes to reward and punish inequitably those who are positioned to take advantage of or to be victimized by the innovations. The globalization phenomenon is no different from earlier phases in this respect. The important question to ask is whether globalization itself makes it more difficult for those who are excluded to adapt, and if so, what kind of compensating mechanisms must be considered to redress the harm.

Excluded regions

One of the hallmarks of globalization is mobility, particularly of capital. But this mobility is highly selective. The flow of developed-country capital has not been spread evenly around the world. One has only to consider the differences between the levels of economic development in some parts of Asia with those in most of Africa, to realize that investment is well-targeted, not well-spread. A further problem that workers face in the relatively small number of countries that are investment destinations is that the benefits are unevenly spread within those countries. In some cases this is a result of a lack of transparency and accountability, and in others it is a product of outright corruption.

Countries and economies with poorly developed infrastructure, e.g., roads, power systems, communications systems, are not included. Official development assistance, either from multilateral agencies or from individual governments, tends to serve those economies that are best positioned for inclusion in the global system, not those who are least able. And, as mentioned above, amounts of aid that are available on concessional terms have shrunk considerably in recent years. Private funding, either as FDI, as loans, or as portfolio capital, favors the already favored, or those countries best able to provide the resources, labor markets, or convenient locations demanded by global business. This, unfortunately, leaves much of the world untouched by the global economy, except in marginal and negative ways due to the unavailability of access.

Women Workers – Still the Most Vulnerable

While proponents of free trade have often argued that a rising tide lifts all boats, women's boats sink first and fastest when there is a crisis. It is women who were first laid off when a financial crisis hit Korea and Thailand; women who lose access to social services when governments adopt austerity regimes. According to the United Nations, women comprise 70 percent of the world's poorest citizens. Often, systematic gender-based discrimination impedes women's and girls' ability to obtain education, land titles, and credit extension. Women experience lower wages, precarious job security (since employers' assume that women are secondary wage-earners and can be hired or fired as the economy demands) and fewer opportunities for promotion than men. These factors also lead to lower human capital investment in women, and a longer workday for women if one factors in both paid and unpaid labor.

And yet, trade liberalization and the rise of export oriented industries rely on female waged labor, particularly in manufacturing. Women comprise between 70-90 percent of workers in the Export-Processing Zones (EPZs), yet earn only fifty to seventy-five cents for every dollar a man earns.[42] As the primary care-giver in most families, women's lost income translates into less food, less healthcare, and less schooling for children. In short, income "lost" today translates into lost opportunities for the next generation.

Furthermore, while women are making up a greater number of workers in export sectors of the global economy, they are not necessarily progressing. For women workers in low-income countries, the transition to a market economy seems to anchor them to low-skilled, low-paid jobs with little opportunity to advance.[43] Studies have shown that there is a strong relationship between occupational segregation and lower pay for women.

While employment in EPZs may be a better alternative than the less regular, precarious work in the informal sector, women workers tend to be concentrated in low-skilled, low-wage production work with fairly rapid turnover rates. In some countries, notably in East Asia, women are increasingly being employed in other export-oriented services such as information processing, tourism, and financial services. Yet, as the Asian financial crisis demonstrated, women were the first workers to be retrenched in manufacturing and service sectors when times were tough.

Women still often work in sectors that are not protected by domestic labor rights legislation. Women constitute a disproportionate number of workers in the informal sector. Officials estimate that more than 80 percent of the workers in low-income countries and 40 percent in middle-income countries operate in informal markets beyond the reach of trade unions or government interventions. Workers in the informal sector range from street vendors to micro-entrepreneurs to home based garment workers. What these workers have in common are that they are not organized within a firm, are unregulated by the state and excluded from economic accounts of national income.[44]

Migrant workers

Another downside of a system that privileges a high degree of mobility is that it puts those who are static at a severe disadvantage. Workers with low skill levels are of decreasing value in the global economy. While some low wage countries will receive investment initially, workers in those countries find themselves competing for their jobs against workers in other, lower-wage countries, unable to bargain for better conditions and unable to follow capital to new locations in order to find jobs. To the extent that workers can and do migrate, either within their country or internationally, they are often subject to subminimum wages and dangerous working conditions, excluded from legal protection and victims of social prejudice. In the event of economic downturn, they are the most vulnerable to social backlash and loss of employment, as has been experienced by hundreds of thousands of workers in Asia in the past few years, who were recruited to do what in Korea is called "3-D Work" – jobs that are "dirty, dangerous or difficult," for which a domestic labor market was drying up. But, as the financial crisis struck Malaysia, Thailand and Korea, these same migrant and guest workers have been forced to return to their country or region of origin as pressure has mounted to preserve dwindling employment opportunities for regional or national locals. Since most of these foreign workers have been employed under conditions of poor or nonexistent legal protection of their rights, they are doubly disadvantaged when economic conditions render them unemployable either in their home country or abroad.

Indigenous Peoples

In most of the world, indigenous peoples have been driven from the best agricultural land into the forests and mountainous regions. But with the intensification of foreign investment, these remote areas are becoming subject to even further

exploitation in the search for metals, tropical woods, biological resources and hydroelectric power. What has changed is not the attitudes of local majority peoples, but the resources available from global private capital to give impetus to their exploitation of minorities at more intense levels. Thus, Mapuche Indians in Chile face new levels of despoliation of their tribal lands in the search for new copper reserves, Aduvasi in India face flooding of their territory for hydroelectric dams, tribes in the Amazon are decimated by loggers and ranchers slashing and burning their forest homes. For these peoples, globalization has no positive meaning; it threatens their existence itself without offering any possible compensating advantages.

Making this trend more difficult is the decline of public capital in the form of multilateral development loans or small-scale economic assistance that might help reserve the viability of traditional cultures. The World Bank, having played a major role in supporting the destructive trends, is now beginning to pay attention to the impacts on minority cultures, but it may well be too late for many.

Victims of privatization

A major trend in the drive for global private capital expansion is privatization of public sector enterprises. These range from public railroads and bus lines to water works and hospitals. Particularly hard hit are the admittedly less efficient state sector manufacturing facilities in some of the newly capitalized economies such as China, Russia, much of Eastern Europe and Central Asia. While, from the perspective of enterprise level efficiencies, much of this privatization is justified, it is removing important social safety mechanisms from societies, as these public firms have often served as the employer of last resort and an important tool against unemployment. And these changes, mandated by the international financial institutions as part of structural adjustment, often are put in place without adequate, sometimes without any, compensating mechanisms to protect those most harshly affected. This is resulting, in many former socialist states, in large "floating populations" of unemployed workers, barely surviving on minimal payments if at all. While the numbers are uncertain, in China alone it is estimated that there are 30 million unemployed or barely employed former state sector workers, eking out a living in the underground economy or dependent on employed family members.

Conclusion

Plainly, the simple predictions of neoliberal international trade economists that more is better, will not necessarily be borne out. In this section we have shown how even orthodox economic theory raises questions about the essential rationale for open trade and economic liberalization. It seems likely that "the distributional consequences of globalization could outweigh the gains through increased rates of growth. In the language of economics, the efficiency gains associated with trade . . . can be easily outweighed by adjustment costs, losses of sectoral rents, and distributional effects, especially for small changes in trade barriers."[45]

Section Four: Policy Options for Consideration

International Mechanisms to Protect Workers' Basic Rights in the Global Economy

For many years advocates for workers' basic rights have argued that the international trading system should include a "social clause" to protect workers from the race to the bottom, and other inequities in the global economy which may harm them. The idea of a social clause is simple: countries and corporations that benefit from economic liberalization should not do so at the expense of workers' basic rights and dignity. If workers' rights are suppressed in order to lower wages and other labor costs, this is a distortion in the trading system, giving some an unfair advantage. Like all unfair advantages in the trading system, it should be subject to mechanisms for trading redress, such as tariffs and duties. Most advocates of a social clause consider that it should protect at least the rights provided by the ILO's core conventions covering freedom of association and the right to organize and bargain collectively, freedom from forced labor, freedom from child labor, and freedom from discrimination in employment.[46]

Proponents of trade liberalization who advocate removing barriers that "distort" the market should also want to remove barriers that "distort" women's ability to advance in the global trading system. An expanded social clause would redress the persistent wage and occupational segregation problems which plague women as they enter the formal labor market in the global workplace.

One line of argument that is sometimes used against a social clause is that international agreement on its content is not possible, because different societies and cultures will make different (and no less valid) choices about what standards conditions are necessary or appropriate. This argument is similar to the economic argument against harmonization of labor standards, which views regulation as

distortionary, and likely to lead to sub-optimal outcomes (from an efficiency point of view.) However, according to the ILO's Eddy Lee: "the claim that a consensus on labor standards is not feasible is . . . puzzling, since it is clear that such a consensus not only exists but has existed for decades."[47]

There has been agreement for some years on which of the ILO's many conventions are its core standards. Membership of the ILO is nearly universal, and it implies subscription to the ILO's constitutional principles, which include freedom of association. The final declaration of the World Summit for Social Development in Copenhagen in 1992 supported core standards. At the International Labor Conference in June 1998 the ILO adopted a Solemn Declaration of Fundamental Principles, which further enshrines respect for the core standards as a condition of membership. Taken together it is clear that "this must indicate that some genuine, unforced consensus exists on core labor standards. The problem thus does not lie in the impossibility of a consensus but in differences over the means through which the strengthening of observance of core labor standards can be brought about."[48]

Some trade economists have in fact already made the case for why the observance of basic workers' rights would be positive in an economic sense, even if it did raise wages for workers. First of all, even if wages in the developing world were increased by a factor of four, they would still not be comparable or competitive with those paid in the developed North today. In any case, a combination of increasing wages, *together with* increasing capital flows, is likely to be best: "a strong, virtuous cycle could result."[49] The increase in incomes would spur greater domestic spending, providing a stream of income that could be used in turn to pay for new investments. At the same time, a shift of labor from agriculture to manufacturing should sharply increase national incomes and productivity, thus providing and subsequently securing the economic foundation for higher wages. If macroeconomic settings are right, and take into account the size of the local markets for which the South would then be producing, "there will be a general increase in the trade deficits of the South, and in the net exports of the North, providing high-wage jobs and the increased capital needed to finance rising incomes in the North and capital investment in the South."[50]

There are of course economists who argue to the contrary. The IMF, for example, has expressed concern that a requirement to observe basic workers rights may raise labor costs, and so lower the labor-intensity of production. In this light, a requirement to observe basic workers' rights could be seen as a tax on labor-intensive production, which would reduce the comparative advantage in the sector. "In this sense, imposition of high labor standards on conditions of work is tantamount to protectionism, as many developing countries argue."[51]

The IMF further argues that high labor standards are a result of economic growth, rather than a possible impetus for it. Many developing countries *already have* high labor standards, they are just not enforced. "In summary, there is considerable danger that workers in the South would be harmed rather than helped by international harmonization of standards related to conditions of work, especially if they are enforced through trade sanctions. The surest way to improve labor standards in the South is economic growth, which international trade facilitates."[52] The proponents of this view often point to the adverse impact child labor bans may have in circumstances where poverty is the main cause of child labor, and children are simply forced out of work as a result.

The problem with these arguments is that, as with so many others in this area, they rest on assumptions of which there is little if any empirical proof. In fact, the empirical evidence is at best equivocal, and probably is best interpreted as showing that observance of core labor standards does not harm economic performance, and does not deter FDI, and that, on the contrary, it encourages productivity improvements, strengthens the domestic economy and bolsters general observance of democratic institutions, which in turn enhance social and economic stability.

Developing country concern about the WTO social clause is more clearly rooted in a basic distrust of the institution itself, and the fear that any further mechanisms to limit trade will be utilized by the powerful trading nations against them in a protectionist manner. Clearly, any mechanisms developed within the trade regime to counter social repression in trade must be developed in a way to guard against misuse, and provide equal utility to small trading nations as to large and powerful ones.

Dani Rodrik has proposed several conditions that ought to apply to any social clause. In doing so he acknowledges that the developing world largely sees the idea of a social clause as an attempt to restrict them from gaining any advantage in trade from low wages. First, concern over the particular standard would have to be shared in *both* the exporting and the importing countries. Second, any import restrictions aimed at redressing the problem of poor labor

standards would have to be judged effective. Finally, there would have to be offsets for the developing country, if it were democratic. In Rodrik"s view, these conditions are necessary to avoid a social clause falling victim to a protectionist takeover.[53]

There is at least one compelling reason for all parties to support the campaign for a social clause. Whether or not poor labor standards in the south are the reason for economic problems in the north, violations in the South undermine domestic support for free trade in the North. At a time when unskilled labor is faring poorly, and import penetration from Southern manufactures is rising rapidly, political support in the North for trade liberalization is increasingly important. "Increased international compliance with a few core labor standards can therefore be defended as a way of increasing the legitimacy of a liberal international trading system, as well as being desirable in itself."[54]

At the end of the day, however, the most compelling argument in favor of a multilateral social clause is moral. Workers' basic human rights, 'cannot be overridden by purely economic considerations, even if there were evidence of some negative impact of these standards on competitiveness."[55] Labor standards tilt the balance away from sweating and toward higher productivity; they encourage cooperative work arrangements and higher investment in training. "The guarantee of worker rights and a voice for trade unions promotes a more equitable sharing of the gains from trade and growth, thereby ensuring economic and social stability. It has to be remembered that there are costs to inequality and that, if left to grow unconstrained, inequality will spark off industrial and social unrest."[56]

Other Policy Options to Protect Workers in the Global Economy

Regardless of efforts to create a multilateral social clause as a means to protect workers, there are national, domestic policy options that countries can pursue. The viable and preferable alternative to lowering wages and conditions, for example, is the high road of raising labor productivity. This requires investments in skills development, exploitation of the productivity raising potential of high labor standards and cooperative forms of work organization, and productivity-augmenting investments in infrastructure, and in research and development.

It is essential to search for cost-effective and incentive-compatible means to achieve social objectives. For example, unemployment benefit schemes should minimize disincentives to work and to create employment. Excessively distortionary labor market regulations should be avoided. Active labor market programs should be made cost-effective. Achieving these goals would have the double benefit of making redistributive programs feasible fiscally *as well as* politically.

Where there are prolonged, structural distortions in trade flows, reflected in sustained and/or growing bilateral and multilateral trade imbalances, these structural problems can undermine the stability of both surplus and debtor economies. Ultimately, these imbalances will injure workers in the debtor countries. One response proposed is quantitative restrictions on trade flows, in order "to obtain leverage in negotiations designed to restore balance to the trading system."[57]

It is of course true that expanded trade and capital flows *can* help rather than detract from progress toward broadly shared prosperity. It is most important to ensure, however, that there is adequate attention to locally-based development strategies. One area that needs further promotion is the need for greater aid flows to restore and expand economic growth levels in the South. We must recognize that "the trade and finance policies that have been developed in the past several decades are highly imbalanced, in favor of the interests of multinational businesses and private capital flows, and biased against the interests of workers."[58] Paying more attention to the interests of the communities in the developing world, as they are conceived of by those communities, is essential. After all, it is these communities which are intended to benefit so much from opening to the world of trade.

As noted, there has been some support for a proposal to regulate short term capital flows by the imposition of a small tax on international financial flows. A tax as low as 0.2% would be a small burden to real investors, but a sufficient obstacle to speculative flows. A related issue is the importance of *local* efforts to address short term flows and currency speculation. Countries with different forms of capital flows have weathered the storm of the global economic crisis far better than those without. The implementation of measures to ensure that capital is rooted locally may be part of the right cure. Malaysia has recently imposed currency controls in an effort to reduce the volatility of international financial flows, but as yet it is unclear whether this will help in the long run. Finally, measures can be considered to discourage future crises. An important element of any of these measures must be ways to provide incentive for investors to consider the adverse externalities of their short term investments. At the moment there is little to overcome the obvious moral hazard problem

posed by the knowledge that ultimately the IMF will come along and bail out a country that is in trouble.

Finally, for the church, an important option for response is support for the right of workers to organize and negotiate the terms of work, both locally and across borders. Workers must move beyond locally-based unions, and strengthen and participate in nationally and internationally federated unions, and the churches, as parts of an international movement, can be helpful to this effort. For workers this is the only response that makes sense to the globalization of capital and employment. Further options for countering the negative effects of globalization include consumer-based preference programs, thatreward companies producing globally under responsible conditions. Negatively, company boycotts or sanctions for those firms that operate in a particularly egregious manner can have a positive effect. At a policy level, rewarding developing countries for taking steps to protect workers' rights, as in the U.S. and European Generalized Systems of Preference tariff relief program, can help to reverse the negative impacts of repression-based competition, as can rights conditionality in government procurement programs and public investment.

What is needed is, most of all, deeper understanding of the connectedness of this new global economy, and strategies that respect the connections and utilize them in the interest of social justice. When Jeremiah advised the people of Israel to "seek the welfare of the city where I have sent you into exile and pray to the LORD on its behalf, for in its welfare you will find your welfare" (Jer. 29:7), he was reminding Israel of their connections to those outside their own community. The "city" wherein globalization places us is every corner of the globe, not just those places close to home or subject to the same rule of law with which we are familiar. Jeremiah's reminder is cogent for today: our welfare is bound up with the welfare of all with whom we engage in a global economy, and cannot be long secured apart from that broader welfare.

[1] *Hope for a Global Future: Toward Just and Sustainable Human Development*, approved by the 208th General Assembly (1996), Presbyterian Church (U.S.A.), pp. 135, 136.

[2] *The Globalization of Economic Life - Challenge to the Church*, Dr. Gordon K. Douglass, November, 1999.

[3] Cf. Jay Mazur, "Labor's New Internationalism," in *Foreign Affairs,* January-February, 2000, *pp. 79 ff.*

[4] Institute for Policy Studies, *The Impact of Capital Flows on Workers in the Global Economy*, March 1998, p. 6, at n. 9 [Hereinafter: "IPS".]

[5] Many of the OECD governments have recently agreed with the United States and the United Kingdom that there should be a new international financial architecture to prevent, if possible, and deal with, if necessary, global financial crises such as these

[6] Economic Policy Institute, *Alternatives to the Neo-Liberal Model that Address Differences Between North and South, and Labor and the Environment*, p. 2 [hereinafter: "EPI".]

[7] IPS, p. 6, n. 9.

[8] David Korten. *When Corporations Rule the World* (West Hartford; Kumarian Press, Inc. and San Francisco: Berrett-Koehler Publishers, Inc., 1995,) p. 225.

[9] Harrison, B. *Lean and Mean: The Changing Landscape of Corporate Power in the Age of Flexibility* (New York: Basic Books, 1994) pp. 9, 171.

[10] Harrison, p. 190.

[11] Korten, p. 111.

[12] Jeremy Brecher and Tim Costello *Global Village or Global Pillage: Economic Reconstruction From the Bottom up* (Boston: South End Press. 1994) pp. 55-56.

[13] UN Development Program *Human Development Report 1997* (London: Oxford University Press, 1997) p. 92.

[14] Brecher and Costello, p. 29.

[15] Korten, p. 107-108.

[16] G. J. Lanjouw, *International Trade Institutions, Open University of the Netherlands* (London and New York: Longman, 1995) p. 6.

[17]Ibid., p. 6-21.

[18]Cf. Terry Collingsworth, "U.S. Calls for Reform of the WTO – Possibilities or Posturing?", International Labor Rights Fund, November, 1999, available on ILRF website: www.laborrights.org.

[19]Lanjouw, p. 39.

[20] Cf. John Toye, *Structural Adjustment & Employment Policy: Issues and* Experience, (ILO, 1995, Geneva) pp. 1-4.

[21] D. Lal, *The poverty of 'development economics,'*, London Institute of Economic Affairs, 1983, p. 33, cited in Toye, p. 8.

[22] United Nations Conference on Trade and Development, *Globalization and Liberalization: Effects of International Economic Relations on Poverty*, (Geneva, 1996) p. 9-10).

[23]Douglass, p. 17, referring to Dani Rodrik's paper, *Why Do More Open Economies Have Bigger Governments,* NBER Working Paper No. 5537. (Cambridge, MA: National Bureau of Economic Research, 1996).

[24]Douglass, p. 17. Cf. Rodrik, *Has Globalization Gone* Too Far? (Washington, DC: Institute for International Economics, 1997.)

[25] U.S. Congress Office of Technology Assessment, *U.S.-Mexico Trade: Pulling Together or Pulling Apart?* ITE-545 (Washington, DC: US Government Printing Office, October, 1992) p. 3.

[26]Ibid.

[27] Unpublished research by ILRF and the Brazilian trade union CUT, 1998.

[28] Cf. *Globalization and Human Rights,* produced by Charlene Hunter-Galt, PBS, aired October 29, 1998.

[29] Jeffrey A. Winters, "The determinant of financial crisis in Asia,", in T. J. Pempel, ed., *The Politics of the Asian Economic Crisis* (Ithaca and London: Cornell University Press, 1999), p. 89.

[30] EPI, p. 3.

[31] Korean Metal Workers Federation, "The Circumstantial Analysis on the Foreign Investment in Korean Metal Industry,", December, 1999, p. 3.

[32]Cf. Elizabeth Grace, *Short-circuiting Labor: Unionizing Electronic Workers in Malaysia,* Insan (Kuala Lumpur, 1990) pp. 6-14.

[33] EPI, p. 19

[34]U.S. Department of Labor Compliance Surveys in Garment Manufacturing in 1998 found only 39% of Los Angeles garment manufacturers, 37% of New York City firms, and 74% of San Francisco firms in overall compliance with the Fair Labor Standards Act. (News Release, USDOL Wage and Hour Division, May 18, 1999)

[35] Katie Quan, *Impact of Globalization on Labor rights in the Apparel Industry,* Remarks to the 51st Annual United Nations Department of Public Information NGO Conference, September 15, 1998, p. 3 [hereinafter, "Quan"]

[36] Dr. Kate L. Bronfenbrenner, testimony before the U.S. National Administrative Office, U.S. Department of Labor, regarding study titled "The Effects of Plant Closing or Threat of Plant Closing on the Right of Workers to Organize," published by Cornell University Institute of Labor Relations, 1997, 78 pp. Testimony transcript in *Plant Closings and Labor Rights: A Report to the Council of Ministers by the Secretariat of the Commission for Labor Cooperation, North American Agreement on Labor Cooperation (NAALC),* pp. 216-217.

[37] IMF, *International Labor Standards and International Trade*, IMF Working Paper WP/97/37, April 1997, p. 22. [Hereinafter: "IMF".]

[38] An Inter-American Development Bank study suggests that there is also a gap in investment in training - neither private capital nor government is doing enough to prepare the workforce for 21st century jobs.

[39] Economic Policy Institute, *State of Working America*, 1996-97, p. 20.

[40] EPI, p. 10.

[41] EPI, p. 4

[42]Sarah Gammage, *1999 World Development*; Psachoropolous and Tzannatos, *1999 World Development*.

[43] Gammage 1996.

[44]Martha Chen, *World Development*, 1999.
[45]EPI, p. 14.

[46] For a full discussion of the Social Clause, and the options for how it might be implemented, see International Labor Rights Fund, *Developing Effective Mechanisms for Implementing Labor Rights in the Global Economy*, on file at ILRF, and available at the ILRF website: www.laborrights.org.

[47]Eddy Lee, "Globalization and Labor Standards: review of issues," *International Labor Review,* Vol. 136, No. 2, 1997, p. 184.

[48]Eddy Lee, ibid.

[49]EPI, p. 22.

[50]Ibid.

[51]IMF, p. 21

[52] IMF, p. 25. In the same paper, however, the author demonstrates a relative lack of understanding of the issues by suggesting that the campaign for a social clause unduly privileges the promotion of labor rights over other rights fundamental to democracy, and therefore it may be true that there are protectionist motives behind the campaign. IMF, p. 27.

[53] In a similar vein, Bhagwati and Srinivasan argue that application of economic sanctions is almost always undesirable, but they can be effective, and within the rules of the WTO, if compensation is offered. IMF p. 28.

[54] IMF, p. 27.

[55] Eddy Lee.

[56]Ibid.

[57]EPI, p. 7.

[58]EPI, p. 8.