

Public Inquiry into
Australia's Relationship with the World Trade Organisation

Submission by
APHEDA - Union Aid Abroad

Executive Summary

APHEDA - Union Aid Abroad supports a rules-based system which encourages trade between countries. However, in order to ensure that the global economic growth reaches the workers in developing countries who create this wealth, and the poor in developing countries who are in greatest need, minimum labour standards need to be observed by all who participate in international trade.

The logical place for a set of “rules” or a code of minimum labour standards to be situated is in the World Trade Organisation working in conjunction with the International Labour Organisation.

To depict minimum labour standards as being a form of hidden protectionism for industrialised countries is missing the point. It is one of the essential prerequisites for several hundred million workers in developing countries to be able to win their just share of the global wealth.

For a country to deny its workers minimum labour standards, especially the right to organise and bargain collectively, it to allow, and even encourage its workers to be exploited. This is a form of protectionism to companies by offering them an indirect subsidy paid for by their workers. As we all know, subsidies are not supposed to exist under the WTO's “level playing field” philosophy.

Furthermore, APHEDA - Union Aid Abroad is calling for a more transparent and more inclusive World Trade Organisation to avoid the commonly-held perception that it is just a “rich mans’ club” only interested in improving the conditions and profitability of companies.

1. About APHEDA – Union Aid Abroad

APHEDA – Union Aid Abroad is the overseas humanitarian aid agency of the ACTU. Founded in 1984, almost all Australian national unions and their state branches are members of APHEDA, as well as all State Labor Councils and many regional Labor Councils and several hundred individual union members.

APHEDA - Union Aid Abroad directly supports training projects in education, health and vocational skills training in developing countries. Many of APHEDA's projects are designed to strengthen community development and human rights including workers' rights, and to help communities organise around these important issues.

On behalf of Australian workers, APHEDA is helping skills training for disadvantaged workers and refugees in South East Asia, the Pacific, the Middle East and southern Africa. Last year, APHEDA – Union Aid Abroad assisted over 50 training projects undertaken with 42 separate project partners in 12 countries.

APHEDA - Union Aid Abroad's funding is provided by an annual grant from the ACTU, by sponsorship of overseas projects by many unions, by donations from many individual members of trade unions and by grants, won on a competitive basis, from AusAID.

2. APHEDA's assistance to strengthen workers' rights

While approximately two-thirds of APHEDA - Union Aid Abroad's overseas projects involve skills training in what would be considered humanitarian areas of development such as training community health workers in Vietnam or employment skills training for disadvantaged women in Cambodia, approximately one-third of APHEDA's projects are in the area of workplace human rights. These projects vary from directly assisting the establishment of unions and the training of union organisers and delegates in Cambodia, East Timor and Indonesia to occupational health and safety training and child labour projects in the Philippines, assisting unions educate members about HIV/AIDS prevention in Vietnam and literacy training for union workplace delegates in South Africa.

APHEDA - Union Aid Abroad has always considered that strengthening workplace human rights is an important element of strengthening our wider human rights, and one of the most effective ways of strengthening workplace human rights is to strengthen independent and democratic trade unions.

3. Why strengthening workers' rights is important for development

Trade unions play a central role in sustainable development in two ways. Firstly, by achieving wage justice for members working people in developing countries are able to improve their living standards, and secondly, by strengthening civil society they are able to enhance human rights.

3.1 Improving wages and living standards

As the United Nations Development Program's Human Development Report for both 1999 and 2000 has stated, the gap between the world's richest and the poorest is now greater than at any time in history. World economic growth is historically high, yet the benefits of this growth are generally going to the rich and the strong, not the weak and the poor. Many workers in developing countries are even trapped in a downward spiral of wages and conditions – the “race to the bottom” - while for the unemployed, or those who can find only occasional, part-time work, life is even more difficult.

One way for workers in developing countries to win their fair share of this global economic growth and so enable their families to lead lives of dignity, free from want, is to strengthen their ability to organise and bargain collectively. By winning wage justice for each other, living standards can improve, and by winning better working conditions for each other, their quality of life can improve.

3.2 Strengthening civil society

APHEDA – Union Aid Abroad also believes a diverse civil society is important for the development and maintenance of democratic rights, both nationally and internationally. Civil society includes all participatory organisations which aim to enhance the lives or wellbeing of their members or wider society and include trade unions, churches, human rights organisations, groups assisting the most marginalised and other community organisations.

Respect for all the basic rights which underpin a civil society are important. This includes an independent judiciary, a free media, a democratic voice, the right to an education and the other fundamental rights of people such as the right to assembly, freedom of expression and the right of workers to organise and to bargain collectively.

As the UN Declaration of Human Rights, Articles 23 & 24 clearly demonstrate, workplace human rights or labour rights are an essential part of our wider human rights. Trade unions are needed to defend and enhance these labour rights, especially today as the deregulated global economy impacts on issues such as child labour, bonded labour, forced or slave labour, discrimination on race or gender, health and safety conditions in workplaces and poverty through low wages.

4. The current situation for many workers in developing countries

Example 1

“The combined wealth of the world's three richest families is greater than the annual income of 600 million people in the least developed countries, according to a United Nations report released yesterday.

Economic globalisation is further polarising those such as Microsoft's Mr Bill Gates, the Walton family who own Wal-Mart empire, and the Sultan of Brunei – worth \$US135 billion (\$A205 billion) combined – and the millions who have been left behind, the UN's Human Development Report says.” (*Three Families Richer than Poorest 600 m* - Sydney Morning Herald 13/7/99)

Example 2

“At the Qin Shi factory where Wal-Mart handbags were made, undercover investigators found young women working up to 14 hours a day, seven days a week for 3 cents an hour, and almost half were in debt to the company because of deductions for board.”

(Trade Rights Usurp Human Rights - Sydney Morning Herald 12/5/00)

It is accepted by all that the revolutions in technology, especially communications and transportation technology, which have allowed massive increases in world trade and commerce, have brought about significant growth in the global economy, more jobs, cheaper products for consumers in advanced economies, more competitive industries at home and stronger relationships with our trading partners. However, this “globalisation” also has several downsides. Free trade and commerce between nations can greatly increase economic growth, but it also has the potential to greatly increase human misery.

One problem is that this wealth being created globally does not necessarily reach those who need it the most – the 1,300,000,000 poorest in the world struggling to live on less than \$US1 a day. In fact, quite the opposite appears to be happening, and those who have wealth and power gain almost all the benefits of global growth, those who are weak and poor receive very little (see example 1).

A second problem is that while “globalisation” has made it possible for investment to travel the world seeking maximum returns, this can also result in low-wage countries seeking to maintain their global comparative advantage by ensuring that their wages remain low. The easiest way to ensure this happens is to prevent the formation of independent and democratic trade unions. This results in wages not just remaining appallingly low in many developing countries (see example 2) but in some cases, wages and conditions actually fall as companies seek to become ever more internationally competitive. The workers, who create the wealth, often receive very little share of it.

5. The need for minimum labour standards in the rules of world trade

As globalisation is being driven by technological change, it is inevitable, but the type of globalisation we chose to have, and the impact it has on the world’s poorest, is not inevitable. We are not slaves to technology, and we can chose how we want to use it and how the benefits from technology are shared.

APHEDA - Union Aid Abroad believes it is better for the poor and powerless of this world to have a rules-based global economy (ie, a type of WTO) than no rules, but the current rules we have through the World Trade Organisation are not the right rules to benefit either the poorest or the environment.

The rules of the global economy need to change so that trade and commerce will also benefit workers, not just companies; so that the global economy might considers its social responsibilities to the poorest and those in greatest need, not just increasing the wealth of those already rich and powerful.

One very effective way of changing these rules to benefit the poorest would be to introduce a ***Code of Minimum Labour Standards*** into the rules of world trade. The rules of the World Trade Organisation should also include minimum environmental standards. While such rules would not be a panacea to solve all problems, they would provide an essential framework within which more complete solutions could be developed.

6. What would be included in a Social Clause of Minimum Labour Standards

Just those standards which are universal, ie :-

- The right to freedom of association
- The rights to organise and bargain collectively
- The right to a minimum age of employment (to combat child labour)
- The right to the prevention of forced labour and slave labour
- The right to equality and non-discrimination in the workplace

Issues such as minimum wages would not be included as they are not universal, and wage levels vary from country to country.

7. Should Australia unilaterally introduce tariffs for countries which violate minimum labour standards ?

It is preferable if all action against trade violations be taken at the multilateral level rather than the bilateral level.

Individual countries imposing trade penalties such as tariffs against other countries would invite retaliation which could lead to a tit-for-tat trade war where bloody-minded retaliation rather than labour standards might become the motivation for imposing penalties. Also, while Australia might object to the labour standards of a number of countries with whom we trade, our own record of adhering to ILO standards has not been perfect over recent years.

If individual countries were to impose penalties such as social tariffs for labour violations, this could easily be construed as being a form of hidden protectionism. However, if all nations follow the same rules, then no one country gains an advantage so protectionism is not an issue.

8. Why should minimum standards be in the WTO, why not just the ILO ?

The logical place for minimum labour standards is in the World Trade Organisation, which oversees the rules of world trade because:-

- In a global economy, there is a logical link between international trade and labour standards
- Unlike regional agreements such as the EU, APEC, NAFTA or MERCOSUR, or bilateral agreements between individual nations, the WTO encompasses all nations.
- The WTO is the one organisation (unlike either the ILO or APEC) which can impose and enforce sanctions or reward participants rather than just relying on moral persuasion. However, some form of reward for countries observing minimum labour standards would be preferable to sanctions against those violating minimum labour standards.

9. Inclusion of Minimum Labour Standards in WTO rules is logical – worker exploitation is a hidden trade subsidy

The concept of a set of minimum rules of labour standards being incorporated into the rules of world trade appear so logical as to be inevitable. The rules of world trade were drawn up by the various negotiating rounds of the GATT and were enshrined in the rules of the WTO. They are supposed to remove all distortions to world trade, be they tariffs, quotas or subsidies. But the use of exploited labour, where workers are not free to unionise and fight for a better wage or conditions, the use of child labour, prison labour or slave labour to gain an economic advantage over other companies, is a subsidy. It is a subsidy paid not by the government of that country, but by the workers through their long hours and abysmal wages, and all too often, paid for with their lives as safety standards are cut.

Why does our Australian government so strongly oppose subsidies paid to agricultural producers in Europe or Japan, claiming it distorts free trade and removes the “level playing field”, while at the same time remaining silent about the indirect subsidies enjoyed by manufacturing and mining companies through the exploitation their workers overseas ? Is this not also a distortion of free and open trade ? The same applies to a company which is permitted to pollute the environment as a by-product of its manufacturing process, without paying the real cost of such production – is that not also a subsidy, giving it an unfair advantage over other companies which operate in countries where environmental laws are enforced ?

APHEDA - Union Aid Abroad believes it is intellectually unsound and intellectually dishonest for companies or governments to attempt to argue that there is no link between trade and workers’ rights / labour standards.

10. Would Minimum Labour Standards just be hidden protectionism for workers from industrialised countries?

No. Just the opposite. To prevent workers from unionising is protectionism – protectionism for companies. At the core of a Code of Minimum Labour Standards is the right for workers to organise into unions and to bargain collectively. It is protectionism and therefore a subsidy when companies use compliant governments to ban or suppress independent trade unions, because then market forces are prevented from operating whereby economic growth should lead to workers winning improvements for themselves in wages and conditions.

Secondly, a Code of Minimum Labour Standards would not be protectionist because it would be multilateral, ie, it would be global and would apply to all workers in all countries, and so no one country would gain an advantage or unfair protection.

Thirdly, a Code of Minimum Labour Standards would not be protectionist because it would not contain any rules regarding wage levels. It would not be trying to impose western wage standards on developing countries so they lose their comparative advantage - wage differentials would still exist. Rather, it would protect workers in developing countries from having to compete against child labour, slave labour and prison labour in their own or neighbouring countries.

11. Would rules of Minimum Labour Standards solve all the problems ?

No, rules concerning Minimum Labour Standards being included in the rules of the WTO is not the total solution to the problem of workers' rights in developing countries, but it is one essential framework in which the solutions can then be built.

Many other things are also needed, especially education for consumers. Consumers are the driving force behind the global economy, and have a right to know about the labour conditions, the environmental conditions and the health conditions under which any product they consume was made. Consumers who are aware and committed are able to put pressure on companies to lift their standards.

Also needed is specific campaigns by organisations to highlight cases of rogue companies or their subcontractors. Shell's human rights standards in Nigeria, Nike's labour standards in Vietnam or southern China, FIFA's endorsement of soccer balls made by child labour in Pakistan are all examples where public pressure has forced a company or organisation to improve its standards.

12. How might inclusion of Minimum Labour Standards in the WTO work ?

APHEDA - Union Aid Abroad believes that following on from the Singapore Declaration, there is an obligation on the WTO to consider the impact of trade on core labour standards. How might this work ?

- Initially, the WTO could establish a working group to examine the issue of trade and core labour standards, especially any linkages between the banning or prevention of workers from organising or bargaining collectively and any negative impact this might have on wages and conditions for workers in a deregulated global economy.
- The WTO should then establish a permanent committee, which would include the participation of the International Labour Organisation, and would have a mandate to propose procedures and instruments for the treatment of core labour standards in world trade.
- Preference would be given to introduce positive incentives for countries which initiate, practise and respect minimum labour standards rather than penal provisions for those which fail to do so. Trade disciplines should only apply as a last resort when a country repeatedly and persistently fails to address the WTO/ILO findings of serious abuses of core labour standards.
- Any objections that the introduction of core labour standards would lead to hidden protectionism could be overcome by making this committee (and indeed the whole WTO) more open and transparent in its operations.

13. Greater transparency in WTO needed

While free trade and globalisation continue to generate great wealth, if many people feel they are being harmed rather than helped by the impacts of free trade and if many feel that globalisation is benefiting the few rather than the many, it will become increasingly difficult to maintain a broad constituency in favour of free trade and prevent a groundswell of public opposition.

One way of allaying fears that the WTO is just “a secretive rich man’s club” only interested in protecting and enhancing the interests of companies and corporations, would be to make the process of trade negotiations more open and transparent.

The Federal government should establish a Joint Parliamentary Committee to scrutinise and report to both Parliament and the general public on all issues relating to the WTO.

To avoid the current secretive process where trade negotiations are undertaken behind closed doors then presented to the Australian people as a *fait accompli*, any future negotiations on trade issues should in principle be made public unless there is genuine national interest reasons for doing otherwise. This would include all negotiations on the WTO’s proposed agenda to examine investment liberalisation, government procurement of goods and services, free trade in services such as health, education, etc and the free movement of natural persons.

Currently, trade negotiations only involve government and business interests – hardly representative of ordinary Australians. Organisations representing civil society should be involved in briefings and consultations before and during the negotiating processes and be represented on government delegations to WTO meetings.

A formal process of regular consultations be established between the Department of Foreign Affairs and Trade and the peak bodies representing Australian community interests such as trade unions, consumer bodies, health organisations, overseas aid agencies and environmental organisations and any other peak bodies with an interest in the issue of world trade.

Conclusion

A rules based system of global trade through the World Trade Organisation has the potential to not just create economic growth, but if adequate safeguards were included, to also ensure that the world’s poorest also benefit from this economic growth.

APHEDA - Union Aid Abroad believes that for this to be realised, it is essential to include some form of minimum labour standards as part of the rules of world trade, it is essential to allow workers in all countries the right to organise and bargain collectively, and it is essential to make the process of trade negotiations more transparent and open to the voices representing ordinary Australians.