Trade Unions and Globalization

A Caribbean Workers’ Education Guide

Robert L. Morris

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- A Caribbean Workers’ Education Guide

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Preface

Globalization and its effects on the developing Caribbean is an inescapable issue for trade unionists from the region as indeed it is for trade unionists throughout the developing world. As a consequence, there has to be a clear understanding and appreciation at all levels of the trade union movement for what is involved in this phenomenon.

Mr. Robert Morris, Deputy General Secretary of the Barbados Workers’ Union and its Director of Organization actively participated in the delivery of Seminars in the ILO/DANIDA (International Labour Organization/Danish International Development Agency) Project for strengthening trade unions in selected countries in the Caribbean. He was contracted to produce this Manual as an output from the Project.

Funding for the printing of this Manual was co-shared by the Workers’ Activities Bureau (ACTRAV) of the ILO and by PROMALCO (Programme for the Promotion of Labour/Management Cooperation) at the enterprise level – a US Department of Labour Project – which is being managed by the ILO Caribbean Office.

This Manual, a useful addition to the many volumes that have already been written on globalization, has attempted the unique task of capturing, through a user-friendly approach, the development of globalization and its main features. It has also attempted to identify a practical trade union response to globalization and challenges the users of the Manual, through a series of exercises at the end of each chapter, to enquire further.

This publication is one of a series of Workers’ Education Manuals that have been developed under the guidance of Mr. Evelyn Greaves, Senior Specialist, Workers’ Activities and produced by the ILO Caribbean Office.

Mr. Willi Momm, the Director, ILO Caribbean Office (1997–2002) gave every encouragement possible for the development of the series.

Luis Reguera
Director a.i.
ILO Caribbean Office
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preface</td>
<td>iii</td>
</tr>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Module 1 - Historical Context</td>
<td>2</td>
</tr>
<tr>
<td>Module 2 - From GATT to WTO</td>
<td>9</td>
</tr>
<tr>
<td>Module 3 - Regional Integration</td>
<td>15</td>
</tr>
<tr>
<td>Module 4 - Features and Impact of Globalization</td>
<td>21</td>
</tr>
<tr>
<td>Module 5 - The Trade Union Response</td>
<td>25</td>
</tr>
<tr>
<td>Bibliography</td>
<td>29</td>
</tr>
</tbody>
</table>
Introduction

The globalization process is extremely dynamic. No text can capture the rapidly changing issues, the new economic environment, the disputes and the results of meetings which are taking place constantly.

At the core of the process, however, are a few fundamental issues, institutions, relationships and a number of challenges which have to be understood by all trade unionists, at all levels.

This manual seeks to respond to the need to present a tactical and strategic response for trade unions to address the core issues of globalization.

Special thanks must be given to Mr Willi Momm, former Director and Mr Evelyn Greaves, Senior Specialist Workers’ Activities, of the ILO Caribbean Office for their assistance in developing the module. Mr LeRoy Trotman, General Secretary of the Barbados Workers’ Union has been sympathetic and helpful in encouraging the work. Many students across the Caribbean have been helpful in responding to the early material that formed the basis of the model. Ms Coreen Gibson helped to type much of the material. Thanks are due to my immediate family for their consideration and support.

This manual was tested at a Meeting/Workshop for the Final Evaluation of the ILO/DANIDA Project for Strengthening Trade Unions in Selected Caribbean Countries, which was held in Guyana in December 2001. Special thanks for the insights offered by all workshop participants but particularly to Brother Steen Christensen, General Secretary of the Danish Trade Union Council for International Development Cooperation and to Brother Neils Enevoldsen, from the Workers’ Education Branch of the ILO in Geneva.
The term ‘globalization’ is now occupying center stage in contemporary economic, social and political discourse. It is being projected as a phenomenon which has grave portents for the continued existence of the trade union movement and it is therefore necessary that the members of trade unions, including the rank and file, have a clear appreciation of its meaning and implications.

The term has only recently been popularized, and there is a sense that the phenomenon has suddenly become an issue in academic, intellectual and popular discourse. It may well be true to say that prior to the 1990s, Caribbean trade unionists would not have focused significantly on globalization as a phenomenon in their teachings or even in their strategizing and planning on behalf of their membership. Yet, to the extent that emphasis was placed on explaining the economic history of the region, and of the world, in locating the birth and struggles of the trade union movement for existence, emphasis would have been placed on describing the economic foundations of globalization.

No discussions on the growth and development of the trade union movement in the Caribbean should be disconnected from the economic
forces which shaped the history of the region from the period of settlement in the 15th and 16th centuries. The reality is that the voyages of discovery which placed the Caribbean at the centre of world focus can be seen as the beginning of a new phase of globalization directly connected to the current phase.

1.2 The rise of nations and capitalism

These voyages of discovery signaled the end of the middle ages and the rise of the nation state and the advent of capitalism. The development of central governments in the form of absolute monarchies, culminated in the powerful autonomous nation state. The Treaty of Westphalia of 1648, signed between the leading nation states, became the cornerstone of the modern system of international relations, with the realization that nations could trade with each other and make peace or war in an international system of states in which each had its domestic sovereignty.

National governments became competitors seeking to expand their power through economic and military processes. Mercantilism became the process through which a form of protectionism evolved with each nation state trying to extract wealth from its colonies, while exporting to other countries to maximize its advantage in trade.

By the late 15th century, the free traders, led by Adam Smith, attacked mercantilist doctrine and supported the wealth-creating effects of free trade and specialization.

At the end of the 19th century, global commodity markets were integrated, even though the mercantilist system of imperial preferences within colonial empires divided the world into competing trade blocs. The development of the gold standard and the flow of European capital outwards to developing areas in the late 19th century, witnessed another phase of globalization.

The First and Second World Wars were in some measure the result of competition between nation states for an increased share of global trade and global wealth. Between the two wars, a retreat from free trade into state intervention characterized all the leading economies and nation states during the period known as the Great Depression. In Russia, socialist practice centered on the state rather than on free enterprise; in Germany, Italy, Spain and Japan, state control based on mercantilist principles dominated, and even in the so-called great democracies of the United States, France and Britain, state control and interventionism in the economy became orthodox practice.

The end of the Second World War saw a dual system emerging, with the West generally espousing a minimum of state control in the economy. The Organization for Economic Co-operation and Development (OECD) became the symbol of Western economic thought and a showcase of liberal economic philosophy and practice. On the other hand, the Soviet Bloc believed in the maximization of state intervention with full collective ownership of the means of production.
In both the Western and Eastern blocs, however, nation state government was paramount. The end of the Cold War, the collapse of the Berlin wall and the fragmentation of the USSR resulted in the ultimate triumph of the OECD bloc and paved the way for a globalized world, with liberalism as its central philosophy. This has resulted in the expansion of the private sector and the downsizing of the state, in relation to economic activity.

In the on-going struggle for hegemonic control between the powerful nation states, the Caribbean was a theatre of war throughout the mercantilist and free trade era. In the evolving division of labour in these periods of rapid expansions of trade, the Caribbean produced economic staples - ‘the fruits of the empire’, which became the basis of the wealth of some of the leading European nations. In time, they became the markets for the manufactures produced by the industrializing countries of the North.

The strategies of economic, cultural and political imperialism ‘integrated’ Caribbean colonies horizontally into trading and economic systems operating to the advantage of the metropolis. The internationalization of capital was a feature of the relationships between the rich centre and the poor colonies during the colonial experience. The bankruptcy of the relationship was manifested in the slave wars and other wars of revolt in the 19th century, the uprisings of the 1930s, and the demands for decolonization in the British Caribbean through the 1940s to the 1960s during which period the Caribbean countries were granted the right to become nation states. While the British Caribbean exited the system of imperialism without significant struggles, this was not so for the French and Spanish territories, where military struggle was significant in resisting hegemonic power. In the Dutch territories, continued control by the metropolis continued for a longer period.

The late 18th and early 19th century witnessed the expansionist power of the United States of America into the Caribbean region and the Monroe Doctrine became a symbol of the growing role of this emerging economic giant in the region.

The period between the end of the First World War and the end of the Second World War saw the development of multilateralism as a growing feature, shaping the autonomy of the nation state. Indeed, at the time when new nation states in the former colonial areas of Africa, India, the Caribbean and other areas were being formed, multilateralism was being structured in a way that would limit the autonomy of nation states in a dramatic way.

The formation of the United Nations and its sub-systems was the beginning of a particular structure for globalizing the world.

The formation of the International Labour Organization (ILO) in 1919 can be perceived as a dramatic attempt towards globalized world standards
relating to employment. The major ILO Conventions however, such as those relating to Freedom of Assembly, and the Right to Organize and Bargain Collectively, came into being after the Second World War when the globalization forces were quite extensive.

The other organs of the United Nations relating to health (WHO); education, science and culture (UNESCO), and the entire articulated system must be seen as structured globalization.

The same is true of the development of institutions concerned with establishing international standards including:
1. The International Standards Organization with its ISO 9000 and other standards;
2. Accounting and legal standards which are being codified internationally, usually around Anglo-American practices;
3. The existence of credit rating agencies such as Moody’s and Standard and Poor;
4. The role of the International Civil Aviation Organization (ICAO) in setting International Air Transport Safety Standards;
5. The OECD’s role in monitoring off-shore financial institutions and establishing benchmarks and standards for their performance;
6. New institutions which set standards for Human Rights practices, levels of governance, including rating the corruption level of nations, among other considerations.

Perhaps most important in the development of multilateralism, however, has been the role of the Bretton Woods Institutions such as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IRDB), popularly known as the World Bank, and the International Trade Organization, originally conceptualized but which became the General Agreement on Trade and Tariffs (GATT) and was later transformed into the World Trade Organization (WTO).

Powerful investment, manufacturing and trading companies, many of them starting as family businesses, came into being in the late 19th and early 20th centuries and were based in the triad countries of Europe, America and Japan. They expanded on the impetus first gained in the industrial revolution of the late 18th and early 19th centuries. Later in the 19th century, large-scale companies dominated the economic landscape.

Germany provides a good example of the development of large, powerful companies like the electrical giant AEG which started in 1883, and by 1900 had 42 offices in Germany, 37 elsewhere in Europe and 38 overseas. In the United States of America, there was a wave of mergers between 1887 and 1904, and by the end of the First World War, economic giants such as General Electric, U.S. Steel, Westinghouse, Sears, Roebuck and Eastman Kodak and Standard Oil, were wielding tremendous power. In Japan, the same period saw the beginnings of powerful vertically
integrated companies called *keiretsus* and *zaibatsus* which were closely allied with the banking industry.

The work of Frederick Winslow Taylor, who published his ground-breaking book on the Principles of Scientific Management in 1918, and the industrial experience of magnate Henry Ford, contributed greatly to the use of automation and established the basis for a new division of labour which greatly enhanced industrial production and the profitability of the large firm.

The groundwork was established for the existence of the Multinational Corporation and later, the Transnational Corporation. The first was distinguished by operating in several countries while its ownership could be traced to a single source of capital. The latter, having capital injection from several sources, extended its power over a wide geographical area.

By the 1950s and 1960s, the Transnational Corporation was clearly a powerful force and was the subject of great controversy relating to its social and economic effects. Some saw them as vehicles for the transfer of productive technology and know-how across borders. Others saw them as monopolistic entities that grew through their competitive advantage in technology and know-how at the expense of host country competitors, bringing economic dislocation and dependency in their wake. They were also seen as a threat to political and cultural freedoms based on their power and influence when they operated in poor developing countries.

By the 1970s, attempts were made to develop codes of conduct to control the activities of these powerful agents of globalization. In 1977, the ILO adopted a Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

Among the major planks in the several codes developed were:

- respect of national sovereignty and observance of domestic laws, regulations and administrative practices;
- adherence to socio-cultural objectives and values;
- respect for human rights and fundamental freedoms;
- non-interference in internal political affairs;
- non-interference in intergovernmental relations; and
- abstention from corrupt practices.

Since the 1970s and 1980s, the stigma once attached to the transnational has abated and they now practise with little criticism as a major agent in the transfer of direct investment across the globe.

The number of transnational corporations increased from 7,000 in 1970 to more than 53,000 in 1998, with some 449,000 foreign subsidiaries. More are being added to the number annually, and through mergers, the wealth and power of the largest is being expanded greatly.
The developing countries consistently complained of some of the following problems associated with transnational investments:

1. They purchased primary products at low prices, and transformed them into manufactured items which were sold at high prices.
2. They attracted high rates of interest and repatriated huge profits.
3. Multilateral aid associated with investment created debt traps;
4. Costs of shipping, freight and insurance, the components of ‘invisible trade’ created huge benefits for the developed world.

By 1974, the so-called Third World was in such difficulties that it made a call for a **New International Economic Order**. Between that period and 1983, some attempts were made to recommend changes in the relationship between the North and the South, especially after the dramatic economic shocks of the oil crisis of the mid-1970s and the early 1980s.

The accession of governmental regimes in North America and England in the 1980s saw an end to constructive dialogue between the North and the South. The period saw tremendous challenges facing Caribbean economies, leading to stabilization and structural adjustment policies which led to the 1980s being considered a lost decade for the region.

The fall of the Berlin Wall, and the dramatic collapse of the Soviet Union removed the dualism and bifurcation which existed in the world and prevented the spread of globalization.

Trade unions developed at the national level in response to economic changes and the growth of capitalism. There was a close correlation between industrial development in America in the late 19th and early 20th centuries, and the growth of the trade union movement.

In the Caribbean, the trade union movement also grew with the stimulus of a diversified economy, resulting from the attraction of foreign direct investment through the 1950s and into the 1970s.

At the international level, the formation of the International Confederation of Free Trade Unions (ICFTU) in 1949, around the same period as the establishment of the United Nations and the Bretton Woods system, is a clear indication of the labour movement’s recognition of the need to consolidate in the face of the globalization of the multilateral system. The formation of the ICFTU was an early indication of Labour’s answer to the globalization of the world economy. This trade union international centre continues to play a major role in shaping the forces of globalization.

While it is true that the term ‘globalization’ has been used consistently since the 1980s, it would be wrong to treat the phenomenon as though it appeared full-blown on the scene. Rather, trade unions must see globalization as another stage of economic development. It brings new challenges, some different from those faced before by the labour
Trade Unions and Globalization

movement, but many similar to those faced by the movement over the preceding century. Trade unions need to analyse this most recent trend and prepare responses on behalf of the working class worldwide.

Exercise

1. What forces have accelerated the pace of globalization in the post World War period?

2. What strategies should trade unions adopt in dealing with transnational companies?

3. Research the leaders who made the call for a New International Economic Order, and write clear statements on their recommendations.

As mentioned earlier, talks at Bretton Woods led to an agreement in 1945 to create three organizations which would provide a broad framework for the regulation of the post-war economy. The International Monetary Fund (IMF) and the World Bank were created. The Havana Charter of 1948 intended the creation of an International Trade Organization, and the General Agreement on Trade and Tariffs was based on the trade provisions of this Charter.

The three institutions provided the framework for international transactions, with the aim of removing protectionism which was partly responsible for two World Wars, and promoting full employment and economic growth.

At the centre of a multilateral trading system are:

1. **A group of economic actors and agents**
   - Investors and financiers, importers, exporters, producers, consumers and workers.
2. **Facilitators**
   - Service providers such as bankers, insurance agents, transport and telecommunication services.
3. **Rules of engagement**
   - Laws and treaties

The three framework institutions each had separate roles to play in the multilateral system.

**Role of the IMF**

1. Assisting countries in adjusting their balance of payments.
2. Encouraging policies that would contribute to equilibrium in the international monetary system.
3. Providing short-term assistance to support balance of payment adjustment measures.
4. Assisting in macro economic policy coordination and exchange rate control.
5. Assisting with external debt control.

Role of the World Bank
1. Providing policy-based lending for development.
2. Liberalization of markets and emphasizing the importance of the private sector as the engine of economic growth.

Role of the GATT
The GATT rules intended:
1. reducing and limiting barriers to trade;
2. providing a mechanism for settling trade disputes on the basis of reciprocity.

The GATT conducted eight rounds of multilateral trade negotiations over forty-eight years. The Uruguay Round, conducted between 1986 and 1993 was the most far-reaching, addressing a wide range of issues including trade in goods, intellectual property rights, services, as well as textiles and agriculture.

It was perceived that the GATT had a number of shortcomings:
1. It was little more than a code of conduct for overseeing trade negotiations.
2. Many of its provisions were not enforceable.
3. It did not take into consideration the proliferation of non-tariff barriers.
4. It did not factor in the growth of high technology products and services.

The movement towards the formalization of the World Trade Organization (WTO) in 1995, represents a progression to the acceptance of the theory that, in the long run, free trade, accompanied by greater competition and productivity, will lead to a more optimal global economic result for trading nations.

The World Trade Organization was established with three broad objectives:
1. The promotion of the free flow of trade.
2. To act as a permanent forum for trade negotiations.
3. To enforce a dispute settlement procedure.

It differs from the GATT in the following ways:
1. It is a permanent negotiating forum
2. The provisions are legally-binding and enforceable
3. Those who join must accept the majority of its provisions.

The organs of the WTO

The admission of China into the WTO in 2001, brings its membership to 143 countries. China is expected to join the powerful Quad countries of
Europe, the USA, Canada and Japan as the dominant forces.

The major organs of the WTO are:
1. The Ministerial Council which meets once every two years, in which all member states can participate.
2. The General Council, comprising representatives from all members, meets once monthly, and reports to the Ministerial Council. It controls the Trade Policy Review Mechanism and the Dispute Settlement Body.
3. The Secretariat is the Executive body of WTO and is headed by a Director-General who is appointed by the Ministerial Council.

Operating principles

The WTO covers several agreements, the major ones being:
1. The Multilateral Agreement on Trade in goods, including manufactured goods, agriculture, textiles and clothing.
2. The General Agreement on Trade in Services.

Other areas for agreement are expected to include:
- Financial services
- Maritime transportation
- Telecommunications
- Movement of natural pensions
- Trade and competition policy
- Trade and the environment
- Trade and labour rights
- Trade in civil aircraft
- Government procurement.

The agreements are bolstered by a set of principles including:
1. The non-discrimination or ‘most favoured nation’ clause which prohibits a country from giving special concessions to a particular country or from discriminating against it.
2. Rules to promote free trade and fair competition across all markets.
3. Clearly guaranteed access to foreign markets for producers and exporters.
4. Assistance to developing countries by providing technical assistance and training programmes to assist development and reform.

Special and differential treatment

The WTO recognizes that the developing countries, including the Caribbean, need ‘special and differential treatment’ in certain circumstances. These relate to:
1. Longer time periods for implementing agreements and commitments.
2. Assistance in increasing trade opportunities.
3. Provision to safeguard trade interests.
4. Infrastructural support and capacity-building.
5. Technical cooperation.

Suggested benefits of WTO to developing countries:

1. Reduction in the cost of living and improved living standards.
2. Stimulation of economic growth.
3. Higher national and global incomes.
4. Promotion of peace, prosperity and good government.

Developing countries, including those of the Caribbean, have witnessed dislocation in their domestic economies through the implementation of WTO policies, and are yet to see the benefits, as they are finding difficulties in gaining market access for their agricultural, textile, garment and footwear products. They are also of the view that the WTO negotiating process does not allow them democratic participation.

The Caribbean has established a Regional Negotiating Machinery to represent the members of CARICOM at WTO negotiations. The Machinery has consulted the regional trade union movement on occasion, but there is no organized process to ensure that the voice of labour is heard at the WTO negotiating table. In recent times, Caribbean governments have invited national trade union centres to attend WTO sessions, but have insisted that the trade unions should pay their way to the meetings. There is good reason in promoting attendance at such meetings but this should be along the lines of attendance at ILO Conferences, with the government being financially responsible for a tripartite delegation to WTO meetings.

The WTO and the Lome Convention

The impact of globalization on the Caribbean is probably best highlighted by an analysis of the likely impact of trade relations between the Caribbean countries, (as part of the ACP), and the European Community, (to conform to WTO principles and practices), on the economies of the Caribbean.

The situation facing the banana industry which has important economic implications for Dominica, Saint Lucia, St Vincent and the Grenadines, and to a lesser extent, Grenada, Jamaica, Belize and Suriname, can be used as a case study.

In the pre-WTO period, the banana export trade of the Windward Islands was centred on an exclusive marketing arrangement with the United Kingdom from the 1950s and this was later incorporated in the Banana Regime of the European Union (EU).

The arrangement was characterized by a set of preferential arrangements, which used a combination of:
(1) quota tariffs and
(2) import licensing systems
to deliberately restrict banana supplies from other competing areas such as Latin America.

Export duty-free quotas were allocated to the various countries:
Dominica 71,000 tonnes
St. Vincent & the Grenadines 82,000 tonnes
Grenada 14,000 tonnes
Saint Lucia 127,000 tonnes

These provisions, which were included in the agricultural protocols of the Lome IV Convention, helped Caribbean countries stabilize their export earnings, and contributed to the economic stability of the countries.

In 1993, the EU changed its banana regime, which while still allowing for tariff-free imports and individual national quotas, were not in keeping with WTO principles of non-discrimination and fair competition across all markets.

The Governments of the United States of America, Ecuador, Guatemala, Honduras, Mexico and Panama, brought a complaint against the EU banana regime to WTO on charges of unfair competition. This was largely driven by powerful multinationals such as Chiquita, Del Monte and Dole, which were substantially owned by Americans. Thus the powerful Americans appeared to be using the WTO system against the poor ACP producers. It also appears that the banana producers were pawns in a game, as the Americans were using a strategy to retaliate against the Europeans who were not importing meat treated with growth hormones.

The EU insisted that their ban was not an unfair barrier to US beef exports but was taken to prevent possible exposure to cancer and other health problems that might arise from eating hormone-treated beef. The EU defied a WTO ruling that the EU action was a ban. In 1999, the US Government slapped 100% tariffs on $116.8 million worth of European imports such as fruit juices, mustard, pork, truffles and cheese.

In this transatlantic global trade war, the Caribbean is merely a bystander. So far, the Caribbean has been spared the total liberalization of trade in bananas, yet it is clear that at least two of the elements of the old banana regime will go, as they are incompatible with WTO principles:
(i) the old import licensing system and
(ii) the individual national quotas.

When the full impact of such changes occur, it is likely that the banana producing countries of the Caribbean will experience a dramatic loss of revenues, rising unemployment and economic instability. Countries like Saint Lucia are already negatively impacted by the changes which have so far occurred and which are aggravated by the serious structural problems which already existed in the Banana industry.

It is to be anticipated that sugar and rum will experience similar difficulties. The extent to which the Caribbean countries will be able to call for ‘special and differential treatment’ is difficult to gauge at this time.
The wealth of nations is largely dependent on their ability to export goods to other countries. Countries that have become wealthy are those which not only have a thriving domestic market, but are able to develop surplus for sale abroad. Within recent times, world trade has been expanding significantly. Primary commodity exports have been growing at a rate of about 2% annually, with processed manufactures growing at between 2-5%; and high-tech manufactures at about 10%. There is also tremendous growth in finance, telecommunications, tourism and professional services.

As Caribbean countries are still largely primary commodity exporters, the performance of world trade in agriculture is important to them.

The value of world agricultural trade almost doubled between 1972 and 1998 - from $224 billion to $438 billion. Volume trade was dominated by products such as wheat, rice, and corn, while value trade was dominated by flowers, coffee, sugar and other non-essentials.

As of 1998, developing countries accounted for 85% of bananas, 90% of cocoa and 88% of coffee. On the other hand, the industrial countries dominate trade in grain and in meat. The EU, USA, Canada and Australia account for over 70% of the meat trade.

Because developing countries have little power to determine the terms of trade, they are virtually price takers in relation to the commodities they export. They have to expand their economies to embrace the areas of world trade which are growing most rapidly and which bring most value-added.

The Caribbean countries have recognized that one path to gaining more of a foothold in world trade is through forming a regional economic entity, similar to those which have been formed in other areas of the world.

In a real sense, the national economy can be improved within a regional grouping, and the fortunes of the group can be expanded by participation in the global trading system.

Exercise

1. Examine the economic structure of your country in relation to (a) the group of economic actors and agents located there, and (b) the facilitators. What will be the impact of globalization on these groups?

2. Compare and contrast the GATT and the WTO.

3. Prepare a research paper on the likely effects of globalization on the banana and rum industries.
3.1 An Overview of regional economic blocs

The European Union (EU)

Simultaneous with the development of a global economy, has been a number of regional trading blocs which have made their entrance onto the world scene, beginning with the European Community which was established in 1958. Its aim was to create a single market within which there would be free movement of persons, goods, services and capital. Additionally, the single market was to serve as the foundation for other common policies including economic and monetary union, social policy, research and development, environment, co-operation in foreign policy and, eventually, political union. The European Commission provides a model of a successful regional economic bloc. Its relationship with the African, Caribbean and Pacific countries renders tremendous assistance to the latter, and even when special agreements, relative to the access of Caribbean countries to EU markets seem threatened, there are opportunities through negotiation, to mitigate the greatest fears.

ASEAN

The formation of the countries of the Pacific rim into a trading bloc which comprises the nations which have been called the Asian tigers, among others, was a growing response to the need for this area to provide a regional market for growth and to expand opportunities.

MERCOSUR

Mercosur, the Common Market of the Southern Cone, along with the Central American Common Market, operate within the framework of the Latin American Integration Association. Mercosur was the first trade bloc among developing countries, and brought together Argentina, Brazil, Paraguay and Uruguay. It made provision for a regional customs union, the construction of a free trade zone among the four countries and the common external tariffs in the bloc’s relationship with other countries. It is intended that it will become a common market in 2006.
FTAA

Beginning in December 1994, the leaders of the Americas, with the exception of Cuba, instituted discussions that will lead to a hemispheric trade agreement that will be called the Free Trade Area of the Americas (FTAA) by 2005. The main countries at the core of the body are the United States of America, Canada and Mexico, the countries which are currently members of the North American Free Trade Association (NAFTA). At present, a number of negotiating groups are meeting to reach agreement on the diverse areas of the treaty.

The major negotiating groups deal with:

- market access
- agriculture
- investment
- services
- intellectual property rights
- subsidies, anti-dumping and countervailing duties
- competition policy
- government procurement
- dispute resolution.

In addition, there are a number of special committees which focus on
(1) smaller economies
(2) electronic commerce
(3) civil society.

3.2 Regional integration of Caribbean States

In 1989, the Caribbean Heads of Government meeting at Grand Anse, Grenada, produced the Grande Anse Declaration, which placed the following policy initiatives at the centre of future regional development:

- removal of all outstanding barriers to intra-regional trade;
- establishment of a multi-lateral clearing facility;
- pooling of shipping and air transport services;
- development of a Caribbean Stock Exchange;
- free movement of all skilled and professional personnel;
- a common currency;
- a Caribbean Court of Appeal; and
- a Caribbean Assembly of Parliamentarians

In 1992, the Conference of Heads of Government agreed to further the Grand Anse Declaration by transforming the Common Market into a Caribbean Single Market and Economy, premised on the free movement of goods, services and factors of production, and including the harmonization of laws and regulations governing economic activities within the community. It also envisaged the harmonization of macro-economic policies and the establishment of a Monetary Union.
The Community has prepared some nine protocols amending the Treaty of Chaguaramas, on the following themes:

1. The organs and institutions of the Community
2. Establishment, Services, Capital and People
3. Industrial Policy
4. Trade Policy
5. Agricultural Policy
6. Transport Policy
7. Disadvantaged countries, regions and sectors
8. Competition policy, Consumer Protection, Dumping and Subsidies
9. Disputes settlement.

Protocol 2, which treats with the movement of people in the Single Market and Economy has special relevance to the trade union movement.

At the present time, it provides for the free movement of University graduates, media workers, sports persons, musicians and artists, and calls for regimes to deal with hucksters, higglers, workers in the tourism and entertainment industries and skilled persons.

Freedom of travel was to be improved through the elimination of the need for passports for travel within the region, facilitation at immigration points and the elimination of the need for work permits for CARICOM nationals.

Other supporting measures are to include:
- harmonization and transferability of social security benefits;
- certifying and establishing equivalency of regional qualifications for accreditation;
- a skills register;
- coordination of social policies; and
- public education on the policy of free movement.

CARICOM has prepared a Charter of Civil Society, and a CARICOM Declaration of Labour and Industrial Relations Principles, which support inter alia:
- Cross border mobility of labour
- Adequate social security policies
- Tripartism
- Collective bargaining
- Employment creation
- Human resource development

**Structure**

The principal organs of CARICOM are the Conference of Heads of Government of Member states, commonly called The Conference and the Community Council of Ministers, commonly called The Council. The
Conference and The Council are assisted by Ministerial Councils covering the following areas: finance and planning, trade and economic development, foreign and community relations and human and social development.

There are other important subsidiary bodies, including the legal affairs committee, the budget committee, and the committee of CARICOM Central Bank Governors.

There are important reasons why Caribbean countries need to develop a single market and economy. Very little intra-regional trade exists in CARICOM, mainly in rice and oil and to a smaller extent in agricultural produce. The reality is that each Caribbean country’s output is consumed domestically, with a relatively small export to external countries. There is need for a quantum leap in intra-regional trade, as well as an increase in exports to the hemisphere and to the rest of the world.

The small CARICOM population of 6 million, has been expanded by the formation of CARIFORUM, which brings in the Dominican Republic and Haiti giving a total of some 12 million as a potential market. Trade relations are being developed with Cuba also. The expansion of the Association of Caribbean States with 34 nations, also widens the regional trading area.

Research is suggesting that trade flows have expanded more rapidly after the EU, NAFTA, MERCOSUR, and ASEAN were established. In South-East Asia, they grew from one-fifth to one-third of all trade flows between 1983 and 1993; and in South America they grew from one-tenth to one-quarter. By the mid-1990s, intra-trade represented between 60 and 70 percent of trade flows in most EU countries.

There is evidence that at this current phase, globalization, in terms of economic integration, and reflected in trade between the various regional blocs, is still at an early stage, and that its existence is being exaggerated. It is known that in 1993, the triad of the EU, the USA and Japan accounted for 70% of world trade flows. It is also known that 80% of triad output is still consumed domestically, and that only about 10% is actually exported.

What is very clear, however, is that trade is expanding greatly between the principal countries of the triad and the regional groupings with which they are mainly associated. Thus, EU countries trade mostly with themselves, then with the countries of Eastern Europe, and then with former colonies in North Africa. Japan trades mostly with other East Asian countries such as Thailand, Singapore and Malaysia. The United States of America trades mainly with the other NAFTA countries, and then with Latin America and with Asia.

With the entry of China into the WTO, all countries of the triad, and all of the regional blocs will be trying to penetrate the large Chinese markets.
Regionalization has certainly benefited these countries which have chosen the path to development through regional integration. European countries are on average three times more affluent in the 1990s than they were in the 1960s.

The countries of Asia including Japan, Korea, Taiwan, Singapore, Malaysia and Thailand have certainly benefited from regionalization, free trade and capital infusions.

The example of Thailand can be used to demonstrate the positives and negatives which globalization can bring to a country.

**The case of Thailand**

Between 1985 and 1990, the Gross Domestic Product of Thailand grew at the rate of 10.3%, making it the fastest growing economy in the world. This was a tremendous achievement for a country which started with an agricultural base, but which became a major exporter of manufactured items with large industrial parks, using advanced technology and producing for the informatics and telecommunications markets. Japan provided 30% of the investment needed to develop the country, but other investors were drawn from Hong Kong, the USA, the United Kingdom, and some countries of the European Community.

The vast expansion of Thailand was accounted for by increased inputs of capital, labour and technology but was not driven by efficiency with the result that diminishing returns set in. Between 1990 and 1996 growth slowed to 8%, and by 1997, the growth rate fell to -0.4%. The result was a wave of unemployment, bankruptcies and conflict in the society.

The crash of the Thai economy was similar to that which affected the other countries of ASEAN. It has been blamed on financial and capital liberalization and deregulation, as well as structural problems in the economy.

Korea can also be examined as a country which was industrially backward in the 1950s and which benefited from regionalization and globalization, so that by the 1990s, it was the 5th largest car producing country in the world; had developed a most efficient steel industry and was the home of a thriving microchip industry. Per capita income increased from US$200 to nearly US$10,000 over 35 years.

The large number of treaties which underpin the various regional trading blocs will converge with the requirements of the World Trading Organization.

For those countries which have already signed on to the WTO, it is clear that their regional and hemispheric arrangements will have to be compatible with WTO standards. Those countries which have had a head start of operating in regional blocs should have been able to develop comparative advantage, facilitating a better performance in the global marketplace.
The real issue is that regional trading groups can have different orientations. Are they geared to prevent outsiders from penetrating their markets? Or are they designed to improve inter-bloc trade?

It is anticipated that intra-regional trade will make the countries of the world much wealthier, and that this will eventually lead to heightened world trade flows which will benefit all.

Something has to change because after many years of regionalization and globalization the share of the world income of the lowest one-fifth of the world population has gone down from 2.3% to 1.4%, while the share of the top one-fifth has gone up from 70% to 85%. In 1997, the combined wealth of the 350 billionaires of the world was greater than the annual income of 45% of humanity. It is also a chilling realization that over 1.2 billion of the world’s 9 billion people live on less than a dollar a day.

EXERCISE

1. How has the Caribbean benefited from the LOME Convention over the years?

2. What factors hinder the realization of a fully functional Caribbean Single Market and Economy?

3. What can trade unions do to assist in the creation of the Caribbean Single Market and Economy?
Module 4

Features and Impact of Globalization

Objectives

1) To examine the main features and drivers of globalization

2) To assess the impact of globalization on Caribbean countries as well as on the workers in those countries.

4.1 Main features and drivers of globalization

Much of the discussion to this point has centred on the economic aspects of globalization. This module widens the scope of the discussions away from the framework, to look at features and major characteristics of globalization.

Intellectual

Globalization is a creature of the thinkers, entrepreneurs, manufacturers and policymakers of the dominant countries of the world. Much effort has been extended in developing a paradigm shift, in forcing the mass of people into observing the reality of their existence from an alternative viewpoint. Few now see socialism as a path for human development, and most are convinced that the market is the mechanism for man’s advancement. Underdevelopment in former colonial territories can no longer be blamed on the colonial masters but must be seen as the fault of the colonials, who no longer require aid and assistance. Greed and the desire for maximizing profits must not be restrained by consideration of threats to the environment.

The proponents of globalization have been very successful in stifling the voices of the South, which up to the 1990s, could be heard proposing alternative pathways to development and criticizing the greed of those whose main aim was the extraction of profit and the exploitation of labour.

The ideological underpinning of globalization is that the exploiter and the exploited, the capitalist and the worker share the same world views, and share the opinion that the market is the best mechanism to advance the interest of all concerned.
Economic

(a) The major economic feature of globalization is the dominance of the Transnational Corporation, and the international division of labour in which the world economy can be organized as a global assembly line. An example is given in the following illustration of how a Pontiac Le Mans motor car is produced:

1. South Korea is responsible for the assembly operations.
2. Japan makes the advanced components, engines and electronics.
3. Germany provides the style and design.
4. Taiwan and Singapore make the small components.
5. English firms advertise and market the product.
6. Barbados and Ireland handle the data processing.
7. Detroit is the seat of legal and banking facilities.

(b) The world economy has been reorganized so that high tech and knowledge-based industries are located in the developed centre, particularly in the G-7, while the developing world provides low tech, low wage production processes.

(c) There is the rapid integration of financial markets, and capital is free to move over the globe with minimal restrictions. Foreign Direct Investment flows determine the development of countries. Uncontrolled financial movements can damage an entire region and pollute other economic markets.

(d) Where access to natural resources, such as land and raw materials was the basis of the wealth of countries, financial wealth can now be disconnected from natural resources.

(e) The development of mega-blocs and regional trade groupings and increased trade between the countries of the regions lead to large companies being formed.

(f) The services sector is one of the fastest growing areas in the global economy, along with growth in the high tech information and telecommunications area. Electronic commerce is gaining steady ground and momentum for those countries which have been able to twin technology with commercial activity.

(g) There is an intensifying of competition on the world scale as all countries are competing for the same consumer. Global elites, global middle classes, and global teenagers are the market for leading ‘brands’ from all over the world. Workers are competing with their colleagues all over the world to gain shares in the market for the output of their labour.
Technological

An information technology-driven, knowledge-based revolution is a major driver of globalization. The fastest growing area of trade relates to high tech products and services. Furthermore, access to new technology, creates opportunities to change work processes, and to modify the very nature of work.

Organizational

Globalization is characterized by corporate reorganization on a massive scale. Organizations are being flattened, some are being downsized, strategic corporate alliances are formed, mergers and acquisitions are the order of the day and franchises are expanding at a rapid rate.

The spread of negatives

The impact of the Asian Crisis of 1997 across the world, the terrorist activities in the United States of America on September 11, 2001, and the anthrax scare all tell a story of how much the world has become a global village. This negative story can be embellished by reference to the spread of drugs and gun-related crimes worldwide within recent times.

Political

The threat to the nation state is real as they surrender to the hegemonic power contained in framework agreements such as the WTO. Within nation states, the power of the state is diminishing under globalization. This is leading to the privatization of state-owned entities as states accept a minimalist role in economic activities.

Social

The most important social feature of globalization is the growing disparity between the rich and the poor. The ratio of the income of the top 20% in the world to that of the poorest 20% rose from 30:1 to 84:1 in 1995.

4.2 The impact of globalization on the Caribbean

Right wing economists and others speak glowingly of the positive impacts which globalization can bring to the Caribbean and to the workers of the region. They speak of the impressive foreign direct investment flows which countries such as Trinidad and Tobago and Barbados have gained in the manufacturing plant and tourism infrastructure, respectively.

The reality is that globalization has not witnessed any rapid growth in investment in most Caribbean countries, nor has it resulted in Caribbean states being able to expand their trade significantly by expanding exports to any of the regions controlled by the triad. Indeed the result has been that Caribbean markets have been more exposed to imports from the developed countries. Where jobs have been created in areas such as
informatics and data processing, they have tended to be low-waged and to have attracted females and white collar workers.

The Caribbean is witnessing privatization of state enterprises, the development of atypical forms of employment contracts, attempts by employers to contract and curtail benefits gained over the years, and attempts at bolstering productivity by flexibilization of various types.

Footloose investors have been attracted to the region in search of low wages. Any attempt at organizing their employees into trade unions is met by a rebuttal which can take the form of challenging the country’s industrial relations system or may lead to an abandonment of the investment and moving on to a more compliant location.

For many, globalization is seen as the enemy of the trade union which is considered to be an institution which prohibits the free utilization of capital, and which tries to restrict the rights of management to determine work practices unilaterally.

There is an acceptance that general living standards have declined in some areas of the Caribbean in the 1970s and 1980s, and the existence of poverty is at an uncomfortable level in some countries.

In recent times, the penetration of large and powerful American transnationals in the distributive sector, such as K-mart and Price Smart, has had negative effects on the performance of the indigenous business class. There is a widespread fear that local businesses will be supplanted by these powerful retailers who will then exercise monopoly power in the territories. They have also introduced their employment practices in their operations.

Caribbean countries are characterized by small size, dependency, openness to external stocks and the ravages of nature. They will have to learn to manoeuvre carefully in a globalized world controlled by the wealthy and powerful.

The major threats to the worker in globalization include reduced job security, having to compete for jobs worldwide, and the danger of having their wages and salaries driven down.

Exercise

1. In what ways has globalization shown a negative impact in your country?

2. What steps are being taken in your country to combat the negative influences of globalization, and to position your country to face the challenges?
The International Confederation of Free Trade Unions (ICFTU) in 1996, at its 16th World Congress, produced a publication entitled “The Global Market - Trade Unionism’s Greatest Challenge”. In this document the ICFTU stated its intellectual counter to the ideology of globalization:

“Our vision of society is fundamentally different to that of the free market ideologies. Our objective is to help organize the use of the world’s main resource - its people - to improve the general welfare of society and especially its weakest members.”

The ICFTU has been working closely with the International Labour Organization (ILO) in campaigning for the universal ratification of its core conventions. It has been lobbying the Bretton Woods institutions for an improved attitude to trade unions and was rewarded, when in its 1995 report, the World Bank advised that the right to join a trade union is a cornerstone of democracy and that collective bargaining produces positive results for workers and employers.

The ICFTU is supporting the negotiation of a social clause linked to the process of further trade liberalization within the WTO framework.

**Negotiation of the social clause in WTO**

The Social Clause is based on the eight core ILO Standards:

- Conventions No. 29 and No. 105 on the abolition of forced labour;
- Conventions No. 87 and No. 98 on the rights to freedom of association and to bargain collectively;
- Conventions No. 111 and No. 100 on the prevention of discrimination in employment and equal pay for work of equal value;
- Convention No. 138 on the minimum age for employment; and
- Convention No. 182 on the worst forms of child labour.
The ICFTU argues that such a social clause will open markets, increase growth, create jobs and distribute the benefits of trade more fairly. It advocates that sanctions should be reserved only for those countries who reject or refuse to implement the standards in the clause.

The suggested text for the clause is:

“The contracting parties agree to take steps to ensure the observance of the minimum labour standards specified by an advisory committee to be established by the WTO and the ILO, and including those on freedom of association and the right to collective bargaining, the minimum age for employment, discrimination, equal remuneration and forced labour.”

The ICFTU has indicated that the ability of trade unions to defend workers’ rights in an age of globalization will depend on the following:

1) The extent to which unions can succeed in recruiting and retraining members, particularly women and young workers, both in the traditional and new occupations and sectors;

2) The capacity of trade unions to ensure that basic international labour standards are recognized and applied;

3) The ability of trade unions to organize and help workers in the informal sector;

4) The efforts of trade unions to convince workers all over the world that they are a positive voice ready and able to address their problems;

5) The ability of trade unions to develop their own strength in order to establish a countervailing power to match that of the Transnational Corporations and ensure that they implement the international codes in corporate behaviour;

6) The extent to which unions are perceived by workers and the general public as assisting economic progress by their response to changes in technology and techniques at the workplace, in a world where market forces, privatization, and deregulation lay claim to being the driving forces of change.

The ILO has been very proactive in responding to the challenge of globalization, making a universal call for Decent Work, including acceptance of core labour standards, employment generation, social dialogue, vibrant enterprises, the removal of various asymmetries in the workplace, and best practices in business entities.

Affiliates of the ICFTU at the regional levels are mandated to pursue its policies, so that in the Caribbean region, the Caribbean Congress of Labour has been able to negotiate the inclusion of a Charter for Civil Society and a Declaration of Labour and Industrial Relations Principles.
At the hemispheric level, the FTAA has accepted that labour matters will be considered and that the labour forum which was proposed by the trade unions will be given status in future discussions.

5.2 The labour agenda at the national level

Trade union activity at the national level must reflect the guidelines set out by the ILO and the leading trade union internationals. The labour agenda must include the following:

- Building trade union capacity to function effectively on behalf of members.
- Organizing the formal and informal sectors.
- Networking with other agents of civil society.
- Encouraging, promoting and respecting fundamental labour rights for workers.
- Expanding tripartite social dialogue and the development of social compacts.
- Developing strategies for improving productivity competitiveness and cooperative labour relations.
- Encouraging balanced and stable macro-economic policies.
- Fostering human resource and skills development.
- Expanding social protection.
- Negotiating for job security.
- Keeping abreast of the relevant information and knowledge about globalization.
- Using the information communication technology to network global support against businesses with negative practices.
- Maintaining militant countervailing intellectual and ideological world views against neo-liberalist paradigms.

Finally, globalization must be seen as a continuing process, a further stage in the continuum of change ushered in by capitalism. Trade unions must be motivated to accept the challenge of globalization to renew its commitment to the working class, and to co-operate at a global level greater than ever before.
Exercise

1. Should the Social Clause be placed in the WTO agreement? Or should it be left with the ILO and the latter, given their power to ensure its application by member states?

2. How can trade unions assist in getting ILO Conventions ratified by national governments?

3. Comment on the conclusion that: “Caribbean trade unions need to be knowledgeable about the structure and programmes of the ILO.”
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